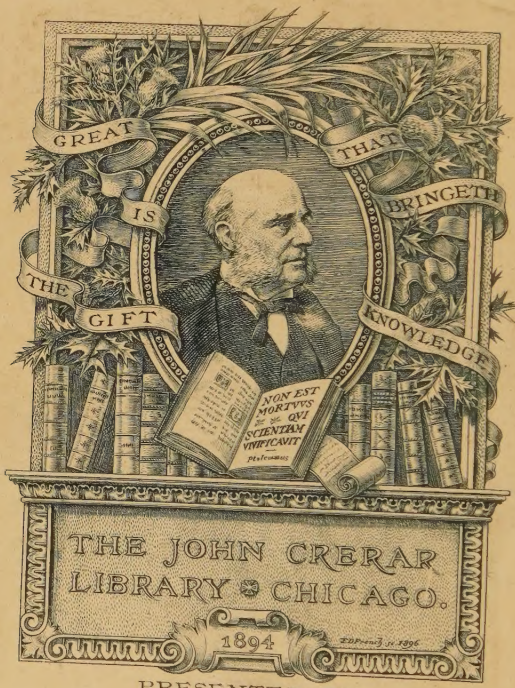
NATIONAL AND LOCAL FINANCE

J. WATSON GRICE



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NATIONAL AND LOCAL FINANCE

NATIONAL AND LOCAL FINANCE

A REVIEW OF THE RELATIONS BETWEEN THE CENTRAL AND LOCAL AUTHORITIES IN ENGLAND, FRANCE, BELGIUM, AND PRUSSIA, DURING THE NINETEENTH CENTURY

BY

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WITH A PREFACE BY

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PREFACE.

To the "man in the street" and the average Member of Parliament, what looms largest in the political haze of the moment is no doubt some manipulation of our bicameral legislative machinery.

In reality, the most important of the political problems that confront the nation, if it only knew it, is how best to organise the relation between central and local administration, so as to ensure that enforcement of "the National Minimum" in the conditions of existence without which the nation itself cannot permanently survive. This relation, it is clear, hinges in no small degree upon finance; and of all the departments of public finance, that of local government is, in this country, at once the least studied and the most needing scientific investigation. Here, then, we have ample justification for the careful essay that Mr. Watson Grice presents to the public.

We have in England an apparently invincible prejudice not only that our English local government is the best in the world, but also that no other country has anything to teach us on the subject. At least, we seem to care so little for learning from the experience of our neighbours that the students of political science at our universities are hardly ever encouraged to make themselves acquainted with the organisation of local administration in France or Germany, Belgium or Austria; though one cannot help thinking that,

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had it been in existence in his own day, Aristotle would not have left unexplored so rich a field of political experiment. Our county councillors and our municipal officials not unnaturally follow the example of indifference to foreign local government that is set by the professors and students of political science. The publishers (with whom, after all, some of the influence and responsibility of patronage now rests), though they make much of a mere geographical intruder into unfamiliar lands, have as yet scarcely discovered the field of sociological exploration—at any rate so long as it is veiled in the decent obscurity of contemporary life. Hence the literature in the English language relating to foreign local government is of the scantiest; and the exact relation between national and local finance in the different countries of Europe has been very little compared.

That there should be any connection at all between the central executive departments of the nation and those elected local bodies to which so much of its internal administration is entrusted has first to be demonstrated. Prior to 1832 there was, in England, practically no such connection. Each municipal corporation or other local governing body was as independent of executive control, and expected as little financial aid from the National Exchequer, as the little social clubs of tradesmen that gathered in the taverns of the time. Nor did any scheme of executive control, or plan of financial aid, enter into the conception of the framers of the Municipal Corporations Act of 1835, upon which, by successive derivations, the whole of our local government is now founded.

If we look over the world of highly-developed nations of the beginning of the twentieth century, we

see three main types of relation between local and central government. In France and Germany, Belgium and Austria, and generally throughout the Continent of Europe, we find the local administration entrusted, in the main, to salaried officials of special training and high professional qualifications, whose work is closely supervised by, and completely subordinate to the various departments of the executive Government. There are, it is true, representative local councils of various grades, and formed in various ways, by which the consent of the inhabitants of the several localities is more or less adequately expressed, and some more or less imperfect degree of local control is secured. But the functions and powers of these local councils are narrowly limited; and their actual interferences with the day by day administration are, in almost all cases, subject to the control and approval of the central executive departments. This particular relation between central and local government may be conveniently termed the Bureaucratic System.

At the other extreme stands the organisation of local government in the United States, where the cities and townships are, broadly speaking, autonomous corporations, not in the least subordinate to the State or federal executive departments, and standing even to the State legislatures in no more intimate or subordinate a relation than the Government departments themselves. There is, accordingly, in such a country, nothing in the nature of an administrative hierarchy, and nothing in the nature of a national system, whether in education, sanitation, or means of communication. This, which has its merits as well as its characteristic drawbacks, may be termed the Anarchy of Local Autonomy. It has given the United States

the worst local government of any State claiming to be civilized.

In England we have, by characteristic good luck, stumbled on a third arrangement. Between 1590 and 1640, we bade fair to develop an organised national system, in which the Lords of the Council, the Judges of Assize, the Justices of the Peace and such corporate unities as the Parish and the Borough would all have their places. When this (with much else) got knocked on the head in 1642–9, there remained only an Anarchy of Local Autonomy, lasting from 1660 to 1835, which was strictly comparable with much in the United States of to-day. Gradually, however, it was perceived that it was desirable that there should be, at any rate, some external audit of local government accounts, and that some external approval should be required before the members of a local governing body were permitted, not merely to spend the rates paid by those who elected the councillors, but also to embark on enterprises mortgaging the future. Presently it was realised that the government of a town was not merely a matter of interest to the inhabitants of that particular town, but that, whether in respect of roads and bridges or infectious disease, whether in the health or in the education of its citizens, the nation as a whole had something at stake. John Stuart Mill drew pointed attention to the fact that the central executive departments could hardly fail to have at their command a wider experience and a greater knowledge than any local body could possess. This, however, did not mean that we began to adopt what has been termed the Bureaucratic System. What we had to find was some way of securing national inspection and audit, and the amount of

national supervision and control that was required in the interest of the community as a whole, without offending the susceptibilities of local autonomy, and without losing the very real advantages of local initiative and local freedom to experiment. Without theory, almost without the notice of political students, a solution has been found in the device of the Grant in Aid. The National Government, in the course of the past three-quarters of a century, has successively "bought" the rights of inspection, audit, supervision, initiative, criticism and control in respect of one local service after another, and of one kind of local governing body after another, by the grant in aid of the local finances, and therefore of the local rate-payers, of annual subventions from the National Exchequer.

These "Grants in Aid," as they are called, are seldom properly understood. The local bodies demanding them, and the complacent Ministries according them, think of them, often, as mere "doles" in relief of local burdens. To old-fashioned Radicals they often seem to represent attempts to escape from hereditary burdens on land—in fact, nothing but raids by the land-owning and farming class on the payers of customs and excise duties. To Mr. Gladstone—who never to the end of his days realised either the importance of local government or the superiority in social value of administration over House of Commons "politics"—these "doles" were mere vexation of spirit, raids on the Exchequer by the landed interest, a sheer encouragement of "extravagance" (by which term he meant merely any increase of expenditure by public authorities). In reality, the Grant in Aid is the necessary hinge in the flap. The elected local

council, administering its own business in its own way, is far too valuable an element in British freedom to be superseded. On the other hand, the poorer localities need aid to prevent the cost of government falling upon them as a crushing burden; the smaller authorities require the counsel and information of wider experience; the negligent or apathetic authorities have to be incited to bring their administration up to the national minimum that is called for by the interests of the community as a whole, and all local authorities are the better for an entirely independent audit of their accounts. How to get these advantages is still an insoluble problem in the United States. How to secure the desirable local initiative, the local independence and the local sense of responsibility is still an unsolved problem in France. We, in Great Britain, have, by our unselfconscious invention of the Grant in Aid—seen at its best in the old Police Grant or in the modern Education Grants—gone far to combine local autonomy with the necessary protection of the interests of the community as a whole.

It may be convenient to quote here a significant passage from the Minority Report of the Poor Law Commission on this aspect of the Grant in Aid:—

"Finally, we have to consider these Grants in Aid . . . from the standpoint of their effect on the suggestions, criticism and authoritative instructions by which the Central Authority seeks to secure greater efficiency and economy of administration. This, indeed, is by far the most important aspect of Grants in Aid. The verdict of administrative experience is that, properly devised, they afford a basis for the best of all relations between the National Government and the Local Authorities. A century of experience has demonstrated that it is undesirable for Local Authorities to be subject to no administrative control whatsoever from a Central Authority, for them to be left without independent inspection or audit, without access to centralised experience and

specialist knowledge, without any enforcement of the minimum indispensably required for the common weal, and without mitigation of the stupendous inequality of local rates that complete autonomy involves. On the other hand, the grant to a Government Department of arbitrary powers to sanction or disallow, or peremptorily to order this or that, is felt, in this country, to be derogatory to the independence, the dignity and the spontaneous activity of freely elected representatives of local ratepayers, spending their own funds. Such mandatory instructions from a Government Office in Whitehall can be enforced only by cumbrous legal processes; and they have proved, in practice, to give the Government Department little real power over recalcitrant local bodies. It is in vain that Parliament endows the Local Government Board with ample statutory powers—on paper—to compel typhoid-smitten Little Pedlington to provide itself with a proper drainage system and water-supply. Little Pedlington flatly refuses, or stubbornly neglects to do so. The Local Government Board, for all its paper powers of coercing Little Pedlington by Mandamus or by independent action in default, finds itself practically impotent; and hundreds of Little Pedlingtons retain to this day their primitive insanitation triumphantly. Very different has been the experience of the influence of a Central Authority wielding the instrument of a well-devised Grant in Aid. Between 1830 and 1856 there was felt to be urgent need of a well-organised constabulary force in the provincial boroughs and counties. By the Act of 1835 Parliament attempted to make it compulsory on the Municipal Boroughs to establish such a force. In the Counties the Justices were empowered to establish one. In both Boroughs and Counties the constabulary remained weak and inefficient. By an Act of 1856 the establishment of an efficient force was not only made everywhere obligatory, but what was far more important, the Government agreed to contribute one-fourth—after 1874, one-half—of whatever expense the locality incurred on its police force, provided that the Home Office was satisfied, after inspection, that the force was adequate and efficient. Under this combination of pressure and inducement, all the provincial police forces have steadily improved, rapidly rising, indeed, to a common level of adequacy and efficiency. At every inspection the defects have been pointed out in a way that could not be ignored. The mere intimation that, unless these shortcomings were, somehow or another, remedied before the next annual inspection came round, the

Secretary of State might have to consider the propriety of withholding a portion of the grant (now the certificate without which the Exchequer Contribution cannot be paid) has usually sufficed to induce the Local Authority—not necessarily next month, but gradually, in due course—to effect more or less of the necessary improvements—not necessarily in exact compliance with any Government pattern, but with the fullest sense of local independence, exercising its own judgment in its own way, and often apparently on its own initiative. In the course of fifty years, though the official criticisms have been incessant, and though the Home Office has not been afraid, in, at any rate, one bad case of recent years, actually to withhold the Government contribution, it has seldom been necessary to take this course. Of legal proceedings, by Mandamus or otherwise, to compel a recalcitrant Local Authority to do what the statute required, there has, in this matter of providing a constabulary force, been no question."

Needless to say, the greater part of the Grants in Aid in the United Kingdom are at present very far from ideal in their conditions or their working. What is needed now is a thorough revision of the whole subject, and an extension of the system of conditional Grants in Aid, varying according to the amount of work done and the degree of efficiency obtained, to the departments of Public Health and road maintenance, to the development of public libraries, and to every other service in which the community, as a whole, has an interest.

There is, of course, another way of looking at the relation of National and Local Finance which often captivates County Councillors. They hanker after a division of services into those which are essentially of national interest, and those of local concern; or, as it is sometimes expressed, into services simply "onerous" to the locality and those which are "beneficial." The former class, it is argued, are undertaken by the Local Authorities really as a

favour to the National Government, which ought to be very grateful for getting its work done by country gentlemen and others; and ought, therefore, not only to defray the whole cost of such services, but also abstain from any supervision, criticism, direction, or control. It would follow, though this inference is seldom drawn, that with regard to all the rest of the services (to be regarded as of exclusively local concern) the Local Authority has no valid claim even to a Grant in Aid.

The student of Mr. Watson Grice's pages will realise that this attempt at division of local services into these two classes has been tried elsewhere; and that it corresponds significantly with the familiar Continental division into "obligatory" and "optional" services. In fact, where a service is regarded as supremely of national importance, no Local Authority can ever be allowed to do as it pleases about it; and if we ever do come to such a classification in the United Kingdom, the County Councillors will inevitably find the little finger of the Government Department of the future thicker than the whole loins of the Local Government Board of to-day. Those representatives of the County Councils and the agricultural interests who plead for any such division of locally administered services into "national" and "local," or "onerous" and "beneficial," with a view to make the Exchequer bear the whole burden of the former class, are unwittingly tending to bring about the Bureaucratic System.

Fortunately, no such classification is possible. There is no service—not even defence—which has not, somewhere or other, been thrown upon local administration and local funds. There is no locally

administered service which is of concern simply to the community as a whole, exclusive of the particular locality. There is thus no service which is entirely "onerous." On the other hand, we realise now that we are members one of another. There is no service of interest only to the locality concerned. There is thus none exclusively "beneficial." There is certainly none in which the community as a whole has not an interest, and therefore a duty, to prescribe a "National Minimum," below which no locality can safely be permitted to fall. The interest of the community as a whole may be more or less apparent, more or less direct, more or less certain; and the amount and conditions of the Grant in Aid will vary accordingly. The expediency and practicability of legally enforcing a "National Minimum" will differ from to time, from place to place, and from service to service. These are the problems for the Political Science of the twentieth century. Mr. Watson Grice's book supplies us with valuable material for their study.

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June, 1910.

AUTHOR'S NOTE.

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J. WATSON GRICE.

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NATIONAL AND LOCAL FINANCE.

CHAPTER I.

Introduction.

The ever-growing necessities of industrial democracy, and the increasing complexity of modern life, have, throughout the greater part of the past century, compelled a closer attention to be given in most Western countries to two fundamental problems: first, how the weight of taxation may be more equitably distributed among the persons who form the different classes of the community; and, secondly, how the burdens of administration and finance may be more advantageously apportioned among the various spheres of government.[1]

To keep pace with the increasing activities of the State, to provide for the extension of old services or the establishment of new ones, both at home and abroad, a continuously rising expenditure has necessitated considerable financial and administrative changes. Limitations of justifiable governmental interference have been modified in consonance with more modern ideas. Conceptions of the functions of the State have widened. Intermediate authorities have with increasing responsibilities been established or revived with the triple object of relieving the central government, of taking charge of certain branches of administration suitable to

[1] Cf. Seligman, "Essays in Taxation," p. 305.

regional authorities, and of exercising a more or less extensive and effective supervision over the minor authorities. Essentially modern demands, such as improved drainage and water supply, better lighting and more adequate police protection, better means of communication, new municipal buildings and undertakings, more efficient administration of public assistance, more systematic primary education and technical instruction, healthier housing accommodation for the working classes, have rapidly become more insistent as urban areas have grown in number and in density of population ; and the inevitably heavier burden of expense and supervision has had to be allotted among the compulsory agencies which in varying grades of functional activity make up the State.

If on general principles it were possible to draw any precise and definite line between the appropriate objects of general and of local expenditure which would bear the test of application to most progressive countries, the problem of the relations of central and local finance would be considerably simplified. Expenditure on general objects and taxation in accordance with the broad principle of "ability to pay" might then be in the hands of the central authority, and for local objects the revenue might be locally obtained from levies in proportion to "benefit derived," and locally administered. In both cases, under such ideal conditions, the taxing and spending functions would be vested in the same authority.

But, unfortunately, yet not unnaturally, such a rigid line of demarcation would seem impossible.[1] Any attempt to draw it disregards the fact that the division of duties, both of administration and finance, between the central and local organs of different grades, varies from country to country, in accordance with geographical conditions, or traditional associations, or political development; and within the same territory according as the conception of what is a general interest and what a local one changes, or in consequence of possibilities of economic and administrative advantage.

Without going for confirmation to such a remote period in

[1] Cf. Bastable, "Public Finance," Bk. I., Ch. 7.

our own history as the time when town fortifications were paid for out of local funds, and, if necessary, out of a special rate, to go no farther back than the great Reform Act, we see that poor relief, the prisons, the roads, and elementary education, which were then regarded as sufficiently cared for by voluntary aid or parochial charges, have now come to be regarded as predominantly "national" in character.[1]

The relations of local to central finance must, from the nature of the two parts of the combination, be progressive. Services which were originally parochial may become provincial, and then national. This dynamic conception is essential; it affects the estimates of the national revenue and local resources, the equity of the incidence of both, and the available means of supervision and control. Inasmuch as financial arrangements must depend on the inter-relation of expenditure on public needs, the possible revenue for meeting such expenditure, and the whole administrative possibilities of ensuring economy and efficiency, the crux of the problem is how to adjust the total financial means to the total administrative requirements of the whole community; how, in a word, in view of the necessary division of duties between central and local powers, the money may be most equitably raised and judiciously spent.

As the machinery of government improves, as administrative organisation becomes more efficient, the economy to be achieved by large operations is rendered possible and desirable, and services may be wholly or partially transferred from one sphere to another.

With regard to a few services, these twin problems of efficient administration and economical finance may be simultaneously solved. The maintenance of security is the greatest general interest, and accordingly "the cost of war and the preparation for it always come from the national budget."[2] The military and naval services are always a national charge; and the same applies to the collection of general revenue, and in a large measure to the administration

[1] See Cannan, "History of Local Rates in England," pp. 17 and 136.
[2] Bastable, "Public Finance," p. 121.

of justice. The interest in these objects is common and indivisible; the objects themselves are such as gain from a high level of uniform efficiency; they require a high degree of skill in their management, which need not be diversified; economy can best be served by centralised administration. Opinions may vary as to which particular classes benefit most from the general security of life and property; but the benefit cannot be localised, and the payment accordingly is made from the national revenues, to which increasingly the personal contributions may be arranged in accordance with the principle of ability to pay, or of equality of sacrifice.

At the other end of the scale are certain services, undertaken mostly by local authorities, the direct personal benefit of which can be strictly individualised and measured: gas and water supply, when undertaken by a local authority and furnished to a household or factory, can be accurately measured, and paid for in proportion to the direct benefit received, "and in proportion to the cost of the service or commodity supplied."[1]

But when we come to consider most internal affairs there are no such well-defined characteristics. In the sphere of administration difficulties arise in determining the proper areas for the effective control and supervision of certain services, and the relations of the various authorities to the central departments and to one another; in the sphere of finance, as to the proportion which local benefit, with its accompanying local payment, bears to the general interest cared for by the central authority and enforced by legal, administrative, or financial sanction.

Localities are neither self-sufficient nor isolated; some are entirely or mainly urban, some mainly or altogether rural; they vary enormously in wealth, topographical advantages, and general resources; some authorities are energetic and enterprising, others lethargic or even reactionary; some economical; others, in some of the business they have to administer, grossly extravagant. For all these reasons some

[1] Cannan, *Economic Journal*, 1908, p. 315.

means of correction must be found if a fair standard of efficiency is to be achieved and maintained.

As the demarcation of national from local services on general grounds is but a first rough guide to the equitable distribution of cost or prudent division of control, and as moreover administration is a social science founded on experience, it may be of service towards the solution of our present home difficulties if the development of social needs, and the methods adopted in dealing with them, in some typical Western countries be considered.

Both at home and abroad there are few services which the central authority both administers and pays for; most services must be locally administered. Accordingly we find that local authorities are everywhere responsible for services which may be roughly divided into two classes: "services which though locally administered are national or quasi-national in their character," and "services which are in the main of only local interest and importance."[1] The distinction cannot be made on any strictly logical principle, and the classification under either head would vary considerably with the individual estimate of the extent to which the general interest was affected by the administration of any particular service. As Professor Cannan points out, "local authorities (in England) perform some services, *e.g.*, refuse and sewage removal, the benefit of which is almost confined to the locality; they perform other services, *e.g.*, the provision of police, which is of primary benefit to the locality, but is also of great benefit to the rest of the country and the world; they perform a third set of services, *e.g.*, the provision of a night's board and lodging for vagrants, which are of no special benefit to the locality, but are of benefit to the community at large."[2]

This ill-defined and variable borderland, between local and national services proper, is the area of administrative

[1] Cf. Report by Sir E. Hamilton and Sir George Murray, Cd. 638 (1901), p. 111. Also answers to Questions 7, 8, 14, in "Memoranda on Classification and Incidence of Imperial and Local Taxes," C. 9528 (1899).

[2] C. 9528 (1899), p. 174.

opportunity for raising the standard of efficiency; the transitional period demands readjustments of the financial relations between the central and local authorities for the easement of the burden.

Expenditure incurred for purposes mainly national has been aptly described as "onerous," that for purposes of mainly local utility as "beneficial." Just as consideration of national finance cannot be divorced from the consideration of local, so beneficial and onerous expenditure must be treated together. Even such as are usually termed local affairs are indirectly and to some extent of national concern inasmuch as they affect the common well-being; and the central authority has by legislation or administrative action attempted to obtain a national minimum of efficiency. A further and perhaps weightier reason is that expenditure on public works for local purposes is often costly, and either on account of current expenses or through debt liabilities materially affects the proportion of available resources for the services of more general utility. How far the principle of autonomy and local self-sufficiency can be carried, or should be recognised, is a vexed question at home and cannot be determined in general terms for countries of different history and traditional associations. But the mere fact of the interference of the legislature in such matters of mainly local concern as, *e.g.*, public health, argues a strong *primâ facie* general interest, and the implied obligation has been met in some measure by subventions, but for the most part by the advance of public credit for the improvement of local sanitation.

Whatever views may be held regarding the origin of local institutions, or what they should be in an ideal state, yet ancient local or regional rights are exercised now in the main not in virtue of any social compact, or for the mere exercise of economic functions, but in virtue of a general law. To-day the minor authority of every grade is an artificial entity created by the State, or at least recognised by it, existing generally as a corporate body by the favour of, and in accordance with, the law, having duties towards the general community and holding its rights from it—rights which have

been granted for the common weal. The legislature fixes for the local authority its powers and their mode of exercise; and in financial matters the State, by common, statute, or administrative law is supreme.[1]

The particular mode in which the grant of powers to the local authorities is made has important results on their expenditure. The English mode is in strong contrast to the continental. In England, every local body may exercise only those specified powers bestowed on it either by the legislative enactment by which it was constituted, or by general Acts of Parliament applying to all authorities of a certain class, or by special Local Act.[2] In every case the legislature decides what a local body may do, and the determination of necessary or illegal expenditure is left in the hands of the central departments in the first instance in some cases, but finally the decision rests with the ordinary courts of law.

In France, Prussia, and Belgium the legislature gives a general grant of powers—the local bodies may do anything not expressly forbidden by law, for which they can obtain administrative approval; but the legislature further lays down in a general manner the primary necessity of their bearing certain expenditure which is of general utility, or which the State wishes to place at their charge, and the items of which are declared and enumerated as "obligatory"; as a rule, the local bodies remain entirely free, within the limits of the finance laws, to exercise their discretion as to "optional" expenditure.[3] The usual method is by law to determine that for a special purpose the local authority must regard necessary expense as an obligatory burden, and then the carrying out of the law is entrusted to the central executive, with its territorial representatives compelling necessary provision to be included for that service in the yearly local budget.

[1] Cf. Gomme, "Principles of Local Government," p. 1.

[2] Cf. P. Ashley, "Local and Central Government," pp. 9 *sq.*

[3] See list of items of "obligatory" expenditure in Appendices A. and B.; cf. Berthélemy, "Droit Administratif," pp. 806 *sq.*; Dubois, "Le Budget Departemental," pp. 59, 60; Acollas, "Finances Communales," pp. 37 *sq.*; Bernimolin, "Les Institutions Provinciales et Communales de la Belgique," I., 299 *sq.*, II., 397 *sq.*; H. de Grais, "Handbuch der Verfassung und Verwaltung," pp. 110 *sq.*

In all these countries the determination of whether a particular charge is properly regarded as compulsory is settled by the territorial delegates of the central government, or in the final resort by the administrative courts—a distinct set of tribunals for the purpose of administering a more or less fixed body of rules which determine the rights and duties of public authorities among themselves, or of a private citizen in relation to them.

In their larger or narrower spheres the continental local authorities of every grade are regarded as exercising in the localities the powers of the central government, and subject to central control; their compulsory expenditure is intended to meet the necessary cost of affairs of the State, which it is desirable, for various reasons, should be administered in the local areas.

A complete enumeration of the branches of administration for which obligatory expenditure must be borne is here unnecessary; a brief indication of their general character will suffice.

The regional authorities must provide necessary buildings and equipment for administrative officials, garrison buildings for the gendarmerie, court-houses, for maintenance of certain roads, certain branches of public assistance, preservation of public documents, certain subventions to the communes, and debts. The parish or communal authorities must provide for necessary buildings, publication of regulations, jury and civil lists, census, treasurer and share of the expense of revenue collection, certain branches of police administration, some of the costs of primary education, certain branches of public assistance, local roads, election expenses, taxes on communal property, debts, certain charges for public worship (except in France, since the Separation Law), and, in Belgium, the whole expense of the Civic Guard.

For all these branches of local expenditure provision must be made in the local budgets before any other expenditure may even be discussed. If a recalcitrant body refuses to make adequate provision, the immediately superior authority of the hierarchy may insert the necessary expenditure in the

budget, which must be submitted at the beginning of the financial year, and, if necessary, order the sale of public local property, or impose extra taxation to meet it. Modifications have been recently introduced in France in the direction of meeting local convenience, but the power remains, and is frequently exercised.

By these means, and by the power in most cases of appointment or approval, and dismissal of responsible officials (the local bodies may often themselves be dissolved, though the arbitrary character of this prerogative has in more recent years been considerably lessened by the legal necessity of proceeding to an early re-election),[1] the central authority, through its local representatives, is enabled to ensure not only that expenditure is confined within legal limits, but also that sufficient attention is given to what, in the opinion of the country, as reflected in its representative chamber, is regarded as desirable expenditure on objects of general utility. Further, as the budgets are commonly only rendered executory when approved by the representatives of the central powers in the locality, or by the central authority itself, the particular views of certain responsible ministers can be enforced towards raising the standard of efficiency in any service.

In England, on the other hand, where the spirit and practice of local responsible self-government have been most extensively developed, the central departments can, as a rule, in most matters only apply to the courts for a writ of *mandamus* "in cases of actual neglect; where there is merely inefficiency it can do nothing except hold inquiries, pillory public authorities by publishing the reports of its inspectors," and finally rely on the public opinion of the electorate to supply the desired stimulus.[2] The powers of the central authority on paper would seem amply sufficient to overcome the negligence or opposition of any local body; but, in practice, unless they have a financial interest at stake, some local authorities are often indifferent or even hostile to the

[1] Cf. Ashley, pp. 337 *sq.*
Cf. Ashley, "Local and Central Government," pp. 10 *sq.*

advice and directions of the central departments. The difficulty largely arises from the fact that the right of localities to govern themselves has become traditional, and is regarded as inherent; extensions of prescribed duties, and external or central insistence on them, have almost universally been viewed with suspicion as invasions of the local domain.

If the items of "compulsory" expenditure in the Continental States be examined, it will be found that they include certain portions of provision for poor relief, asylums, primary education, police, and roads. These are the particular services which, at home, are usually regarded as predominantly national in character, and of general rather than local interest and utility, and have given occasion for most of the "onerous" expenditure, to relieve which has been partly the aim of the successive expedients adopted since 1832.

CHAPTER II.

Local and Central Finance in England.

First period: From the Reform Act (1832) *to the Repeal of the Corn Laws* (1846). *The first Grants in Aid to Local Authorities.*

The history of the relations of local and national finance in England may be conveniently divided into three periods. The first begins with the passing of the Reform Bill in 1832, and ends with the proposals of Sir Robert Peel in 1846; the second includes the discussions and agitation which led to the increased grants in aid, provided for by Sir Stafford Northcote in his Budget of 1874; the third is concerned with the revolutionary changes made by Mr. Goschen in 1888—90, the relief grants under the Agricultural Rates Act of 1896, the modifications of the Local Taxation Accounts, introduced in the Finance Acts of 1907 and 1908, and their results.

The guiding motives behind the successive changes of the first two periods were, in the first place, a desire to encourage more efficient administration and strengthen central control; and, secondly, to give relief to the ratepayers either by transferring charges for certain services from the rates to the Exchequer, or by payment to local bodies of grants in aid of local expenditure. It is from these two points of view that the history of the grants and transfers will be treated.

The Poor Law Amendment Act in 1834 for the first time established the principle of compelling local autonomy to yield to central control.[1] In theory the justices of the peace,

[1] "The last attempt to coerce justices of the peace through the power of dismissal from office was made in the reign of William III. by Lord Somers, and created such a storm that no subsequent ministry has dared to repeat it." (Goodnow, "Comparative Administrative Law," Vol. I., p. 236; and Gneist, "Das Englische Verwaltungsrecht" (1884), p. 389.)

who, as chief administrators of the old Poor Law, were mainly responsible for the development of the mischief which threatened to bring about national bankruptcy, could be dismissed by the Crown ; but this prerogative had long remained unexercised as an instrument of ministerial control.

The new Reform Ministry, determined to obtain power of supervision and control in the administration of local affairs, had, by the inauguration of the new Poor Law, with the approval and support of huge majorities in both Houses of Parliament, obtained the only instrument by which a radical alteration, such as the circumstances demanded, could be effected. There should be elected representatives of the ratepayers, but they should be entirely in the control of the central board, and all their officials should be dismissable by it. The gross inequalities in costs of management were to be reduced by the compulsory union of parishes for the collective provision of workhouses.[1] The economy to be achieved by large operations had been insisted on by the commissioners of inquiry in their report, and this recommendation, together with others, concerning contracts, regulation and audit of accounts, appealed strongly to the commercial classes now in power. The policy of substitution of paid officials under strict rule for the unpaid justices appealed to the same business instinct.[2]

But although the reform thus initiated during the next few years transformed the whole Poor Law administration throughout the country and brought enormous relief to the ratepayers, popular opinion was dead against the highly centralised control of the commissioners.[3] In electioneering

[1] Gilbert's Act of 1782 had permitted the voluntary formation of unions or incorporations by mutual agreement of adjoining parishes, and workhouses might be built by unions so formed. Sixty-seven unions of this character had in the interval been established. (See Fowle, "The Poor Law," pp. 69—109.)

[2] Cf. Redlich and Hirst, "Local Government in England," Vol. I. pp. 98—111 ; Vol. II., pp. 202—210.

[3] "The poor rate, which in 1750 was but £730,000 a year (England and Wales), had risen to over six millions in 1814, and to seven millions in 1832. It was now after 1834 within ten years reduced to five millions in spite of an increase in population of some two millions.' (S. Buxton, "Finance and Politics," I., p. 31, note.)

meetings and in the Press they were the subject of malignant criticism, and even bitter personal abuse. Their yearly reports show the difficult character and enormous extent of the work they had undertaken, the means they adopted, and the scope of their operations. Their fifth report, which justifies their actions, was successful in obtaining their re-appointment for a year, especially as they showed the desirability to Parliament of their being a scapegoat for popular resentment against detailed instructions and orders which were indispensable for the carrying out of the Act, and the extirpation of the evils against which it was aimed, but which were, locally, unpopular.[1] Their appointment proving in this manner useful to the Ministry, it was annually renewed till 1842, and then established for five years more.

But no relief was granted towards Poor Law expenses from the Exchequer. The old order, under which each parish was responsible for its own poor, had merely given place to an enforced aggregation of parishes into unions, for the purposes of more efficient and more economical administration.

The commissioners, in their report, consider the advantages which had been pointed out to them of making Poor Law administration a national instead of a local charge, and admit that the advantages would be "great and immediate."[2] From a financial point of view it would certainly, at first, effect a diminution of expense. "Considerable sums would be saved in litigation and removals, and a still larger sum might be saved by substituting the systematic management of contractors and removable officers for the careless and often corrupt jobbing of uneducated, unpaid, and irresponsible individuals." Yet, while candidly admitting the undoubted strength of these and other arguments in favour of making the relief of destitution a national charge, they did not recommend it. As against the probable benefit of such a transfer in producing a "vigilant and uniform administration, a reduction of expenditure, a diminution of pauperism, a general improvement of the industry and morality of the

[1] Cf. Fowle, "Poor Law," p. 104.
[2] First Report Poor Law Commissioners, p. 148; see also pp. 149 *sq.*

labourers, and an increase of agricultural profit," must be set distinct and serious drawbacks, both moral and administrative, and they feared that "what was beneficial as a remedy might become fatal as a *regimen*," and that the old abuses would only recur in a more intensified form.

They conclude their report by recording their conviction that "as soon as a good administration of the Poor Law shall have rendered further improvement possible, the most important duty of the legislature is to take measures to promote the religious and moral education of the labouring classes."[1] In thus connecting these two subjects, the commissioners foreshadowed problems which, in their economic, administrative, and financial aspects have been growing ever more acute throughout the three-quarters of a century which have since elapsed.

In the same financial year in which this report was presented (1833—4) the first grant in aid of national education was made. It was a mere pittance of £20,000, which was granted by Parliament, and distributed in aid of the erection of new school buildings, according to the advice of the two religious organisations—the British and Foreign Schools Society, and the National Society—to whose efforts such organised elementary education as then existed was largely due. The total grant for the five years ending 1838 was but £104,955. The scope of the grant was enlarged gradually to assist the cost of "building, enlarging, repairing, and furnishing schools." Apparatus and meagre equipment followed as the specified purposes of the next small additional grant in 1845; in the succeeding year a payment was first made out of the Education Vote towards the erection of normal and training schools for teachers in England.[2] In 1839 what was in effect an Education Department had been created by Order in Council, in the form of a Committee of the Privy Council on Education, with an official staff. In 1846 this department, by minute, introduced a more thorough system of inspection,

[1] *Ibid.*, p. 301.

[2] Cf. Dowell, "History of Taxation and Taxes in England," II., p. 520.

and substituted pupil teachers for the old monitors. It further organised the scheme of scholarships to training colleges, in order to remedy two of the principal defects which then existed, namely, "an insufficient number of qualified teachers, and imperfect methods in teaching."

The same year (1834) witnessed another new departure in local taxation. In March, Lord Althorp, Chancellor of the Exchequer in Lord Grey's Government, moved the appointment of a Select Committee "to inquire into the county rates in England and Wales, and to report what regulations might be adopted to diminish the pressure of local burdens on owners and occupiers of land."[1] As the reform of the Poor Law was then under discussion, poor rates were excluded from the purview of the inquiry; but, on the suggestion of Sir R. Peel, highway rates, "which constituted a highly important feature in local taxation," were added to the reference of the Committee for investigation, in order that the manner in which those rates also were expended might be shown.[2]

The history of the development of the ancient county rate partly explains the recommendations which were the outcome of the inquiry. The first statute, defining the purposes for which it was still in 1834 levied, was passed in the twenty-second year of Henry VIII. From that time onwards new purposes, some temporary, some permanent, had been continuously added, and up to 1739 new and distinct rates were repeatedly levied side by side with the county rate, for, in many cases, quite insignificant amounts. "Thus, in that year there were at least seven rates for seven distinct purposes, leviable separately throughout the fifty-four counties of England and Wales."[3] These purposes were:—County bridges; building and maintenance of houses of correction for vagrants; county gaols; passing and conveying of vagrants; relief of prisoners; relief of debtors and setting them to work; relief of poor prisoners of King's Bench and Marshalsea (each

[1] Memorandum by Sir E. W. Hamilton in C. 9528 (1899), p. 11.
[2] 3 Hansard, Vol. XXI., p. 1350.
[3] "Report on Local Taxation," 1843, pp. 7 *sq.*

county to send twenty shillings yearly to each of these prisons).

All of these rates were accordingly, in 1739, consolidated by an Act which "authorised one general county rate to be paid by each parish or township in one whole sum, to be taken out of the poor rate or levied in the district in like manner as the poor rate." But this consolidation proved to be but the nucleus round which a new and extensive series of additions were from time to time made. The purposes for all county taxation were defined in the Act of 1739, but forty or fifty others had gradually been added. Among these were the militia rate (1802), burial of the dead rate (1808), to "reimburse overseers for the disposal of bodies found on the seashore;" the compensations for gaol fees (1815), which were raised by "a separate rate in places not contributing to the county rate and having no town rate or public stock;" a county rate for shire-halls, judges' lodgings, assize courts, etc. (1829); and in the same year a county rate for lunatic asylums, which was only another revival by statute of the "old practice of requiring a special rate to be made over a very wide district for a very small sum."[1] In administering these services, for which the separate rates were legally to be levied, "the justices generally disregarded the express directions of the various statutes, and paid for them out of the general county rate."[2]

The highway rate had had also a complicated and varied history.[3] The ancient system of "statute labour," enforced by the Act of 1558, laid the task of keeping such roads as then existed in repair on the inhabitants of each parish, by their own labour and that of their servants and horses. In 1670 special rates were authorised to be levied as additions to the poor rate, but the old system survived side by side with the new.

Towards the end of the eighteenth century public

[1] "Report on Local Taxation," p. 16.

[2] *Ibid.*, p. 9. The Act of 1829 was the first recognition of the claim of lunatics to care and treatment at the expense of public funds.

[3] See history of highway rates in Cannan, "History of Local Rates," pp. 6—9, 42—44, 119—124.

requirements developed rapidly, and, in 1773, the justices were given power to levy rates which only very slowly, however, became common.[1] In 1803, according to the estimate of Sir J. Sinclair, the highway rates only amounted to £100,000, but in the interval to 1817 they had grown enormously, and in the latter year amounted to £1,415,000, of which sum, however, probably one-third was valuation of services rendered according to ancient custom.[2] From the year 1815, the highway rate had been levied separately from the poor rate. It had, like the county rate, gathered round it, only in much smaller numbers, additional rates; *e.g.*, an additional rate for the purchase of land, and another for the defrayment of law expenses.

Under these circumstances, and considering that the demand was for relief from some of the burden of the rates, it is not surprising that the committee admitted that many of the services which had gradually grown up, and which, for convenience, had been paid for from the proceeds of the county rate, were really charges of national importance and general utility, and, being such, were unjustly defrayed by local taxation. The burden, they contended, should be borne rather by "those funds to which the general mass of property throughout the country contributed more equally than it did to the county rate,"[3] which, being assimilated to the poor rate, was levied only on the occupiers of lands, houses, and other rateable property, in proportion to the net annual value.

They therefore recommended, and their suggestions were provided for by the succeeding Government in 1835, on estimates drawn up, for the guidance of the Treasury, by Lord John Russell, then Home Secretary, that one half of the cost of prosecutions at assizes and quarter sessions (estimated at £80,000), and a proportion of the expense of removing convicts from local prisons to the convict depôts

[1] "Goschen's Report," Cd. 470 of 1870, p. 8.

[2] See Lord Monteagle's draft report on "Burdens on Land," 1846, p. 19; Blunden's "Local Taxation and Finance," p. 7; and H. C. 470 (1870), p. 8.

[3] H. C. Paper No. 542 of 1834.

and hulks (amounting to £30,000) should be paid by the Exchequer.

The very great increase in nearly every department of county expenditure during the previous forty years is shown by the following table, extracted from the Report of the Committee of the Lords on "Burdens on the Land."[1]

Heads of Charges.	Expenditure of County Rates in England and Wales.			
	In 1792.	1832.	+ or −. .	Per cent.
	£	£		
1. Bridges, etc. . . .	42,237	74,501	+	76
2. Gaols, houses of correction, etc. . . .	92,319	177,245	+	92
3. Prisoners' maintenance .	45,785	127,297	+	178
4. Prosecutions . . .	34,218	157,119	+	359
5. Constables . . .	659	26,688	+	4338
6. Professional . . .	8,990	31,103	+	248
7. Salaries	16,315	51,401	+	215
8. Vagrants . . .	16,807	28,723	+	70
9. Lieutenancy and militia	16,976	2,116	−	
10. Coroners . . .	8,153	15,254	+	87
11. Incidental . . .	17,456	32,931	+	88
12. Miscellaneous, printing, etc.	15,891	59,062	+	
	£315,806	£783,442	+£467,636	148

A glance at the conditions of national finance may serve to explain the readiness of the Government to comply with the demands of the agricultural interests. During the first few years of office, the Whigs had continued to practise the economy which led Mr. Gladstone more than once to refer to the years between 1825 and 1840 as the "halcyon days in

[1] Cf. Redlich and Hirst, I., p. 166. See also Webb, "English Local Government, Parish and County," p. 595: "Between 1774 and 1815 the different county executives had been slowly but continuously building and rebuilding the gaols and houses of correction, and steadily increasing the county expenditure on bridges; and in the early part of the nineteenth century some courts of quarter sessions even began to erect costly lunatic asylums. Parishes accustomed to pay out to the High Constable a few shillings, now and again, now found themselves compelled regularly to contribute each quarter an ever-rising county rate of almost as many pounds as they had once paid shillings."

finance; . . . when Whig and Tory alike strove, and strove successfully, to reduce the public expenditure and to maintain a balance on the right side,"[1] and the total expenditure of the country in 1835 (exclusive of the "slave loan") had been less than at any period since the end of the previous century. This reduction was, however, partly due to rapidly lessening charges for debt, both through redemption and by the fall in the average rate of interest. In 1834, Althorp had a surplus, and remitted the house tax; altogether, on balance, the total reduction of taxation between 1830 and 1834 was between eight and nine millions.

On the other hand, the state of the agricultural interests, which had been in a very prosperous condition during the exceptionally good period of 1831—4, was less satisfactory during the next two years; and there were already signs of the disasters which overtook them in the succeeding years, which saw the rise of Chartism, the forming of the Anti-Corn Law League, and the overthrow of Protection.[2]

A glance at the table of county expenditure will show that there was a rapidly growing need to devise a more effective organisation for maintaining public order and security, and, as an early endeavour to achieve improvement on purely permissive lines, the first attempt to establish an efficient constabulary force in the counties is instructive. In 1836, a Royal Commission was appointed to consider the best means of attaining this purpose, and three years later it reported in favour of advancing out of the public central funds one-fourth of the estimated cost. From the Act which followed these recommendations, the important part relating to the State contribution was omitted.

The county rate was at first by this Act to be applied to the purpose of the county and district police force, "with a power to quarter sessions, where the force was not

[1] Buxton, "Finance and Politics," Vol. I., pp. 29 *sq.* The total expenditure of the country, which in 1817 was 58¾ millions, had been reduced to 55½ millions in 1824, and (exclusive of the "slave loan") to 48½ millions in 1834.

[2] See Dowell, "History of Taxation and Taxes," Vol. II., pp. 311—323.

introduced throughout the whole of the county, of increasing proportionately the county rate for the respective divisions where it was introduced. This arrangement was abrogated in the next year, and a separate police rate authorised instead."[1] This rate, however, whether levied throughout the county or in separate police divisions, was still to be collected and "levied with and as part of the county rate," and in any of the boroughs named in Schedules A and B of the Municipal Corporations Act of 1835, the Council might make a "special borough watch rate, and levy it in the same manner as the borough rate."[2] But, as the Act was merely permissive, it was a complete failure, and subsequent legislation, together with, as we shall see, a Government grant, was needed to insure an adequate supply of police in the counties and boroughs.

In the case of the metropolitan police, however, established in 1829, the central authority had made a grant of £60,000, which had risen in 1842 to £98,567.[3] The increase had been granted in 1839 when the original police district was extended and the metropolitan police took over the duties which had previously been performed by the horse patrol and the Thames police.[4] In the maintenance ofthis force, and its increased efficiency, the Ministry had, for political reasons, a strong interest. The control was accordingly given, in the absence of any metropolitan local authority having jurisdiction over such a large area at that time, to a commissioner dependent solely upon the Ministry. The salaries and pensions of the commissioner and receiver and a general grant in aid, were a charge on the Exchequer. The special work done by this force as a "State police" in connection with foreign criminals and suspects, watching Government buildings, etc., was its justification. The general attitude with regard to the metropolitan police and its supervision may perhaps be interpreted in the light of Sir

[1] "Report on Local Taxation," 1843, p. 9.
[2] 2 Vict. c. 93, s. 20.
[3] H. C. 168 (1893); "Return on Local Taxation," App., p. 80.
[4] For growth of "central" police control, cf. Gomme, "Principles of Local Government," pp. 254—260.

R. Peel's proposal in respect of the police in Ireland: "I believe it will be an immense advantage to place the police force under the control of the Executive and thus prevent the possibility of all interference of local bodies."[1]

Two tendencies may be seen at work in this period, illustrated by the Municipal Corporations Act and the new Poor Law. In the one case, ultra-autonomy had been granted in the conduct of local affairs; in the other, although a stringent centralised control had been organised, it was lacking in any form of financial sanction. In the intervening period the need for encouragement and control of certain kinds of desirable expenditure had been discovered in the working of the Poor Law. It had become evident that grants are corollaries of compulsory legislation, if the local resources are insufficient.

Accordingly we find that suggestions of grants in aid of Poor Law administration were made in 1846 when Peel introduced his proposals for the abolition of the Corn Laws. The agricultural interests seemed likely to suffer at first from the abolition of Protection, and on the refusal of many of his old followers to continue their allegiance, Peel had to look round for support. And so his advocacy of the grants is on a threefold basis: (1) relief to the landed interest; (2) more economical and efficient administration; (3) increased central control. It is not remarkable that in the debates the abolition of the Corn Laws, by reason of the magnitude of its importance, completely overshadowed the considerations to which Peel had looked to conciliate opposition. Nevertheless, the proposals remained; and, being approved by the Lords Committee which sat on the question of "the burdens on real property, and the impediments to agricultural transactions caused by the existing system of excise duties, poor laws, and local taxation," they were by the succeeding Ministry carried into effect.

At that time, 16,000 different local authorities had charge of the highways. The only advantage, "which was merely nominal," was the appointment of a surveyor in each parish

[1] 3 Hansard, Vol. 83, p. 274.

"who absolutely knew nothing about the construction of highways." On the other hand the drawbacks were great and real. The division among so many authorities of conflicting interests and varying capacities, had led to "great abuses, to lax expenditure, and to a bad system of repairing the roads."[1] An Act of Parliament, passed in 1835, already allowed the voluntary union of parishes into district authorities for highway purposes; but, as it was merely permissive and there were so many local interests affected by any proposal for change, hardly in any instance had any arrangement of this nature been come to. Peel proposed to compel the union of parishes into districts for all the purposes of the roads.[2] By this means he hoped to reduce the number of road authorities from 16,000 to 600. These compulsory aggregations were to be subject to the condition that each highway district should "appoint a surveyor, a competent professional man, who should have charge of the whole of the highways of the district to which he had been appointed." But the change was to be one simply of more economical administration; no Exchequer contribution was offered for the highways.

Although he regretted that, owing to the process of crystallisation of other charges on the poor rate, vast sums were yearly raised for other purposes than the sustenance of the poor, yet Peel did not recommend the revision of assessment, which would be a task too formidable then to undertake.

With regard to other direct local burdens he, however, did propose a series of measures of relief. He did not think it advisable, even from the landowners' point of view, to nationalise the charges for relief of the poor. But some of the charges "then thrown on the land might be taken and placed upon the public." It was impossible for him to avow this new departure as a direct compensation for prospective hardships which the agricultural interests might incur; but in view of the social improvement contemplated as the result of the abolition of protection, some of the charges then borne

[1] 3 Hansard, Vol. 83, p. 264.
[2] *Ibid.*, pp. 265 *sq.*

in respect of land, he thought, might fairly be placed on the national purse.

Already in 1835 half the expense of maintaining prisoners in Great Britain and Ireland who were under sentence for felony or misdemeanour had been placed on the Consolidated Fund, and the counties were henceforward altogether to be relieved of that expense (then £64,000 a year). "In order that there should be a constant and vigilant check, this and similar charges should be provided for by an annual vote."

The remaining half of the expenses of prosecutions in England and Ireland (Scotland having been recently provided for in similar fashion), which were still borne by the local rates, were to be transferred to the Exchequer. The relief was not anticipated to be great, "but the change was of importance, as it undoubtedly afforded increased means of establishing some control over prosecutions," and was advocated "for the purpose of relief, and for the purpose of introducing an improvement of the criminal law."

Although Ireland was probably the part of the United Kingdom likely to be most adversely affected by Free Trade, through the fact that so large a proportion of its capital and enterprise were almost entirely directed to agriculture, yet the proposal to take over the whole charge of police administration in that island was to be accompanied by the condition that there should be "no relief from burden which was not accompanied by some great social advantage." At that date a great police force was maintained in Ireland, the expense being shared between local rates and the Imperial Exchequer. Peel believed that to be a "most anomalous system," and that it would be an immense advantage, and in the public interest, to place the force immediately under the control of the Executive—"to prevent the possibility of all interference by local bodies, to make it as perfect a system as possible by excluding all power of local nomination, taking the whole control on the Executive Government, and, in order to make that control complete, paying the whole expense from the public Treasury."

In the intervening years since the inauguration of the new

Poor Law much immediate hardship had been felt owing to the drastic changes made in the law, and the severity with which it had been administered. With none of the many departments of public assistance, which had perforce been handed over to the boards of guardians, owing to the lack of other authorities to carry on the work, had so much dissatisfaction been expressed as with the granting of medical relief.[1] Great unwillingness had been shown on the part of many of the guardians to afford any such relief "under the impression that their immediate concern was with the relief of absolute distress," and that their function was merely to give "sustenance to those who were in danger of starvation."[2] The same unsatisfactory state of affairs had grown up in Scotland, and had been dealt with in the same session.

As a remedy in England, and "for the purpose of giving the Executive Government a greater control over it, and gradually introducing an amended system," one-half of the charges for medical officers were to be transferred to the Treasury. "Thus," said Peel, "we shall be enabled to meet the objection of those who demur to the exercise of Government control and to the expense, by offering on the part of the public to contribute one-half": £100,000 for England and £15,000 for Scotland.

Another unsatisfactory feature of workhouse organisation which had been universally condemned, both in Parliament and in the country, was the very inadequate provision made for educating the large numbers of children who were promiscuously huddled together in the Poor Law institutions. In many of these institutions there were no schools at all, in many others some persons perfectly unfit for the post in character and attainments had been appointed master or mistress at salaries which, although miserable, could perhaps only be justified by the degree of the recipients' qualifications for the post. Such appointments had been made solely

[1] Cf. article by Sidney Webb on "The Tyranny of Categories" in *Clare Market Review*, Vol. III., No. 3.

[2] Peel's speech, January 27th, 1846, 3 Hansard, Vol. 83, pp. 264 *sq.*

because they were cheap, and technically exonerated the guardians from censure. Improvement could only come by paying higher salaries for better qualified teachers. The right of appointment was still to remain with the guardians; but the central Government, in return for the proffered aid, amounting to about £30,000 a year, required the "right of dismissal of teachers and inspection of schools, the necessary qualifications of teachers as shown by examination, and some control over the management of the schools."[1]

The auditors of Poor Law accounts who had been for the first time appointed under the Poor Law Amendment Act, had in the meantime been paid by the guardians. As their purpose was to overhaul the accounts half-yearly, and to disallow or "surcharge" improper expenditure on the part of their immediate superiors, it is not perhaps surprising that during this period the supervision of local expenditure was very imperfect. The weakness was evidently so well recognised that no arguments seemed necessary to strengthen the proposal to transfer the whole of the charges for their salaries, £15,000, to the Exchequer, and thus to lay the foundations of a sound and effective control of local expenditure. "Now observe," said Peel, in concluding this portion of his statement, "that in almost every case in which I propose any remission of the burden which falls on the land, I propose also the attainment of some great object connected with the public advantage."

In debate he remarked that the total charges he proposed to transfer to the Consolidated Fund would amount to £530,000.

For the encouragement of agriculture he also proposed a more generous extension of public credit by way of loans.

Three questions are suggested by these changes:—

(1) What were the local resources which were still called upon to bear the bulk of the local expenditure?

(2) To what extent were the local rates relieved by these grants?

[1] 3 Hansard, Vol. 83, col. 275.

(3) In what proportions were the services locally administered thus borne from the national and local funds?

LOCAL RESOURCES.[1]

In attempting to institute comparisons regarding the pressure of local taxation between particular years in this period, a margin must be allowed for possible errors in the figures showing the yield of any individual source or expenditure of any particular item, owing to a number of causes which more or less vitiate any statement regarding them. It must be remembered that prior to 1860 there was no provision made by statute for any annual return of rates, taxes, tolls, and dues levied for local purposes; that "great confusion continually arises from the circumstance that several rates were sometimes levied with the poor rate, and sometimes as separate rates"; even when returns were made, great difficulty existed in getting the local authorities to fill up forms on the same principle, however detailed and minute and explicit the instructions might be. These defects, however, do not appear so much in the case of the poor rate proper, of which correct returns have been compiled since the beginning of the nineteenth century, but generally in "the vast number of collateral rates."[2]

The complications under which local taxation laboured at this period may be gathered from the Report on Local Taxation issued by the Poor Law Commissioners in 1843.

After excluding from their inquiry all tithe rentcharges, voluntary contributions such as Easter offerings, taxes levied under local Acts (*e.g.*, special taxes in "liberties" or certain districts of counties for the same purposes as the county rate; taxes in boroughs not in Schedule A or B of the Municipal Corporations Act of 1835, various improvement rates or

[1] See Goschen's Report of 1870, p. 2.
[2] H. C. 470 (1870), p. 2.

enclosure rates), they show that the taxes then levied were divisible into three classes :—[1]

I. *Poor Rate Series*, or taxes on the basis of the poor rate :—

(1) Poor rate; (2) workhouse building rate; (3) survey and valuation rate; (4) gaol fees rate; (5) constable's rate; (6) highway rate; (7) highway rate for purchase of land; (8) highway rate for law expenses; (9) lighting and watching rate; (10) militia rate.

II. *Miscellaneous Taxes*, each on an independent basis :—

(11) Church rate; (12) church rate for new churches and repairs; (13) burial ground rate; (14) sewers rate; (15) general sewers rate; (16) drainage and enclosure rate.

All the above sixteen rates were those of independent districts.

III. *County Rate Series*, or taxes imposed originally on aggregated districts by some general authority, but ultimately assessed on the basis of the poor rate :—

(17) County rate; (18) county rate for lunatic asylums; (19) County rate for building shire halls; (20) burial of dead rate; (21) hundred rate; (22) police rate; (23) borough rate; (24) watch rate in boroughs.

"Each of these rates was a separate and distinct rate, distinguished from all the rest by the different purposes to which it was lawfully applicable, and most of them had distinct machinery with distinct powers for their imposition and enforcement."[2]

But, as we have seen in the case of the county rate, statutory pronouncements had been considerably modified in

[1] Report of Commissioners on Local Taxation, 1843, p. 4.

[2] See "Report on Local Taxation," 1843, p. 4; also reply of Sir James Graham (January 29th, 1846) to Mr. Wodehouse, who had asked for a return showing the amount of local rates: "Anyone who had read the very able report on local taxation would know that there were no less than twenty-two local rates, levying £12,000,000 a year. Under the head of burdens on land, therefore, there would be not only those twenty-two local rates, but the borough rates as well as all the local rates under the various local Acts. To present all these within a fortnight in one accurate view was beyond any means which the Government possessed."

practice. The purposes of the rates as defined by the various statutes on the subject amounted to nearly two hundred, but most of them were incapable of precise or concise definition, even for a single rate; this was especially so in the case of the poor rate, the purposes of which were extremely heterogeneous.[1] As a consequence, the general practice in cases of uncertainty, or in cases of pressing urgency which had been left unprovided for, was for the expenditure to be made out of the poor rate, "whether the law authorised the application or not." Since an audit had been provided for the poor rate by the Poor Law Amendment Act of 1834, other rates had been commonly resorted to in similar circumstances, and the practice led to much irregular and mischievous expenditure. But although these practices led to abuses in administration, and together with the variations in assessment in different districts (which the Parish Assessments Act of 1836 had been intended to remedy, but which really induced the growth of other irregularities), produced injustice as between one parish and another, yet one beneficial result followed—a diminution of the number of separate rates which were actually imposed in any one district. Even the county rate was sometimes taken out of the poor rate, so that the number of rates on an individual was by this operation greatly reduced when the poor rate was equivalent to the poor rate plus the county rate (which itself was made up of seven rates). This would still leave fifteen separate and distinct rates which might still be levied on any one parish or township. But in practice by methods which were illegal but convenient, and for the reasons that the sums were insignificant, or that the purpose had become obsolete or changed, or that there was no sufficient provision for separate levy and assessment, or for any other reason suggested by the exigencies of the moment, we find that really in 1843 "the number of distinct rates imposed for all the purposes of local taxation was ordinarily

[1] The statutes passed in the two decades prior to 1843, authorising new rates or modifying old ones, "exceed in bulk all the statutes upon the same subject in the whole of the preceding three centuries." Judicial decisions were even more voluminous. ("Report on Local Taxation," 1843.)

reduced, where a poor rate was leviable, to the poor rate, the highway rate, and the church rate, with the addition somewhat frequently of the lighting and watching rate and the sewers rate."

The amount of money collected in respect of the several rates thus consolidated in practice cannot be ascertained with any approach to correctness. The returns as to church rates and highway rates, for the years which are available, represent sums collected for the nominal purposes of those rates, but county rate expenditure is really that on the county rate series. The return for poor rate is "still more deceptive, inasmuch as with the exception of the sums paid out of the poor rate towards county expenditure they include expenses on many other subjects; these miscellaneous purposes are never individualised distinctly in the returns; the aggregate is usually called "other purposes," but they do not always make the total arrived at correct."[1]

Allowing for these possible discrepancies, the taxation raised for local purposes by local authorities in England in 1827 and 1852 (the only two years covering the whole period for which returns are available) was:—

	1827.	1852.
RATES:—	£	£
Poor Rate (1826-7) . .	7,784,352	6,778,914
Church Rate (1826-7) . .	564,388	400,000 (about)
Highway Rate (1826-7) . .	1,121,834	1,663,575 (about)
Metropolitan and City of London Rates, similar to General District Rate[2] .	82,000	1,000,000 (all other rates)
	9,552,574	9,842,489
TOLLS, DUES, ETC. (estimated) .	1,690,138	2,535,207

For all purposes and services administered by the local bodies the latter had in 1827 been entirely responsible for the

[1] See "Report on Local Taxation," 1843; also H. of C. 470 (1870), pp. 4—12.

[2] Compiled from H. C. 470 (1870), pp. 69, 71, and C. 9528, p. 31.

raising of necessary revenues; in the interval the system of grants in aid from the Exchequer had been inaugurated, and in 1852 (as may be seen from Table I. in the Appendix) there were paid over to the local administrators sums amounting in the aggregate to £568,313 by the Treasury, and charged on the annual votes as sanctioned by Parliament.

With regard to the extent to which the local ratepayers were relieved by these new conditions various considerations must be borne in mind. In every case, except that of the payment of half the cost of medical relief, the entire burden of the particular service was taken over by the central authorities, and in that proportion relieved the local bodies of the necessity of meeting that portion of expenditure. What was the psychological effect on their attitude towards other departments in consequence of this lightening in one direction cannot easily be determined. And how far the same persons, relieved as ratepayers, still bore the burden as taxpayers, or if there was any change, what was its effect, are likewise problems hard to solve. The complexities of present day incidence in regard to local taxation are great; but their magnitude is vastly increased by the difficulty of imagining all the forces which made for economic friction in a period which, though so near in time, was so very different in many respects from the present. Further, it is not very evident what the practical value of such a solution would be if it could be found. The only safe line for inquiry, and the most useful one, is to examine how fast, and how far, it has been found expedient to view certain services as "national" or "local," and how the burden of finance has been arranged in consonance with the change of standpoint. From this point of view, the foregoing figures illustrate the gradual transition in the period considered in this chapter.

CHAPTER III.

History of English Grants.

Second Period. 1846—1874.

Political discussion concerning the equity of the contemporary distribution of taxation for national and local services during this period appears to have treated the subject from four different points of view. The Tory party generally held that "the whole of the local taxation of the country for national purposes fell mainly, if not exclusively, on real property, and bore with undue severity on the occupiers of land, in a manner injurious to the agricultural interests of the country, and otherwise highly impolitic and unjust."[1] Radicals of the school of Hume, on the other hand, declared that "the land had been granted originally for military services, commuted afterwards for the convenience of all parties into the payment of certain taxes, that the lands had changed hands with the burden of these taxes and under proportionate deductions for the same, and therefore that the landowners had no right to ask to be relieved of this burden now become hereditary."[2] Between these extreme views a third section of disputants admitted that "between the charges which had been transferred by Sir R. Peel and some other charges there was no distinction in principle which would prevent the transfer of them being considered."[3] If the local check was taken off by their transfer to the public Treasury the charges might be indefinitely increased, but it was "only a question of degree, of policy, and of prudence." The fourth class, while in general agreement with the opinions

[1] Disraeli's motion, March 1st, 1849, 3 Hansard, Vol. 103, p. 11, also pp. 224, 424.
[2] *Ibid.*, p. 454.
[3] February 19th, 1850; 3 Hansard, Vol. 108, pp. 1205—1207.

of one or other of the preceding classes, were yet inclined to the belief that the increasing burdens were heavier in urban than in rural areas, and that the disproportion was a growing evil."[1]

The Protectionists were by no means content with the relief they had obtained in 1846. They attributed the lamentable condition of the farmers in the next few years to the heavy burden of local taxation, and to the fact that "more than one-third of the whole revenue derived from the Excise was levied upon agricultural produce, exposed by the recent changes in the law to direct competition with the untaxed produce of foreign countries."[2] Their most prominent leaders did not recommend an immediate subversion of what they termed "the late injurious innovation," but they did claim that the system of taxation should not press unjustly on those whom the change had most directly and immediately affected.

In the debate which was initiated by Mr. Disraeli on the Burdens on Land, in March, 1849, the Protectionist position was stated by him in a lengthy speech, of which the following were the main points. The rates for the poor and other rates for the year ending Lady Day, 1848, were not less than ten millions. To this he added two millions for land tax, and claimed that the twelve millions were levied from a rental of £67,000,000. From a return issued two years previously the income on which income tax had been paid was £186,888,958 for the five schedules; after making due allowance for a proportion of the income derived from land which went into the pockets of those below the limit of exemption—£150—there still existed a total taxable income of the whole country of £249,185,277.[3] In view of the fact that the objects of

[1] Cf. speech by Mr. Goschen, 3 Hansard, Vol. 190, p. 1013.

[2] Disraeli's speech, March 8th, 1849, 3 Hansard, Vol. 103, pp. 424 *sq.* The points raised in these debates have been given at some length, since they fairly cover the whole field of controversy at that time.

[3] In 1842 Sir R. Peel had re-introduced the income tax, "really the old system with unimportant modifications," which had been abandoned on the conclusion of peace in 1815. For history of English income tax, see Bastable, "Public Finance," pp. 479—483. The amount assessed in 1842 was 204 millions, and the rate 7*d.* in the £.

local taxes—the maintenance of the poor of the country, the maintenance of the means of communication, the administration of justice, and the support of the churches—were matters in which all the property of the country was equally interested, it was unfair that the assessments for those objects should be laid only on one-fourth of that property. Railways, gas and water companies, and other enterprises, were handicapped by their heavy contributions to poor rates, and the exemption of stock-in-trade by annual Bill only added to the injustice of those imposts which real property was still compelled to bear. He had included the land tax inasmuch as, although in common parlance it was called a land tax, it was, in fact, a tax on property of all kinds.[1] "It was impossible to lay it down as a principle that in an England of complicated civilisation a particular district should support its own poor, unless it could be proved that that district produced those poor, or unless the district could be insured against the consequences of metropolitan or imperial legislation which might interfere with the employment of the labour of those poor." The nation, as a whole, reaped the benefits of inventions, yet "a machine adopted in Lancashire might throw out of employment a whole village in Northamptonshire." The same principle applied to the highway, county and church rates. They were levied for national objects, and as the suggested remedy of national rating was open to the gravest objections, both of an economical and political kind, there seemed no practical alternative to his proposal that one-half of the total of twelve millions then raised by local taxation should be borne by the Consolidated Fund.

Hume's answer may be stated more briefly.[2] Local rates had been for centuries an hereditary burden, from which

[1] "This is not," said Disraeli, "a question of controversy. To this day the land tax is levied on certain offices under the Crown. Offices existing in the time of William and Mary pay their four shillings in the pound to the present day. I believe the judges pay this tax, assessed, though, I am glad to say, on their allowance under William and Mary, and not on that under our present gracious Sovereign." (3 Hansard, Vol. 103, p. 429.)

[2] *Ibid.*, p. 454.

the landowners had no right to ask to be relieved. The outlay on roads had proved more than reproductive, and had enhanced the value of the landed property. The ancient lords of the soil, who in the absence of the Sovereign were the administrators of justice, had always been responsible for police establishments, and for the administration of justice. The bridges had been built in early times for the convenience of the locality. "Indeed there were none of the taxes which had been mentioned which did not come within the category of taxes raised within the district for the advantage of the district." Even if the whole twelve millions were taken off the landlord would still demand the same rent, and thus the tenant would be left in the same position as before. But for manufactures the land would be worth very little; it owed its increasing value to the consumption of the artizans of Liverpool, Manchester and Birmingham. In preference to transferring to the national exchequer any part of the local burdens, he advocated "a reduction of excessive expenditure, so as to enable Parliament to repeal totally the Excise duties on malt and hops, and to remove, as far as practicable, other burdens which impeded the progress of agriculture and of commercial industry."

Sir Charles Wood, who followed, claimed that the owners of land, in common with the manufacturing districts, had reaped benefits from cheaper food. With regard to the occupiers, their interest in the proposed measures of relief was a very small one. "If there was any proposition which could be proved more satisfactorily than another it was this: That with the exception of existing leases, and in the case of short tenures during the adjustment of burdens between the tenant and his landlord, the rates are not a charge either on the cost of production or on the tenant, but are in point of fact a deduction from the rent. Rates were always considered by the tenant before taking a farm, and always deducted from the rent he would otherwise pay."[1] Moreover, while the proportion paid by the land towards poor rates was year by year

[1] 3 Hansard, Vol. 103, p. 709.

diminishing, the land itself was as steadily increasing[1] in value. He confessed himself irresistibly driven to the conclusion that the real proposal was to impose the whole of the seven millions suggested for transfer on the last two schedules of the income tax, which then yielded but two millions. Recent experience had shown, however, that it was not safe to allow local authorities the power of charging even a portion of their expenditure upon the Consolidated Fund; and he was convinced that the proposed transfer would result in nothing but waste and misapplication of the funds, and be "a positive and considerable addition, both to the local and to the general burdens of the country."

Though defeated by a majority of 91, Mr. Disraeli again renewed the attack in the beginning of 1850, but with modified proposals. While disputing the contention that the landed interest had no grievance in the "hereditary"

[1] From returns of Poor Law Board, 1849, and Poor Law Commissioners, 1844.

In Year	Poor Rates and County Rates.	Population.	Relief of Poor: Charge per Head of Population.	Value of Rateable Property.	
	£		s. d.	£	£
1813	8,648,841	10,418,000	12 8	51,898,423	
1843	—	—	—	85,800,735	Lands, 40,167,088 Houses, 35,556,400 Railways, 2,417,610 All other, 7,661,637
1849	7,674,146	17,715,340	6 6½	91,172,471	Lands, 41,179,713 Houses, 37,282,140 Railways, 5,465,584 All other, 7,245,034

In 1826 in respect of landed property was paid 69 per cent. of total poor rates.
In 1833 in respect of landed property was paid 63 per cent. of total poor rates.
In 1841 in respect of landed property was paid 52 per cent. of total poor rates.
In 1849 in respect of landed property was paid 47 per cent. of total poor rates.

burdens, he confined his claim to relief from recent additions to them.[1] These were :—

(*a*) Establishment charges, "not necessarily connected with local administration and virtually independent of it," yet costing one and a half millions.

(*b*) Rates levied for convenience only by the machinery of the poor law, and expended on purposes in connection with registration of births and deaths (£60,000), jury and burgess lists (£24,000), or for the purposes of the Nuisances Acts, Sanitary Acts, Vaccination Act, Parochial Assessment Act; in the aggregate for the United Kingdom, £700,000.

(*c*) The cost of maintaining and providing for the casual poor in England, which had in 1848 ceased to be a parochial charge and had become a burden on the Union Common Funds.[2] He claimed that the change would require no new, nor destroy any old machinery, and proposed that the expenses of all the above should "as from 25th March, 1850, be defrayed from the balance in the Exchequer."

On this occasion Mr. Gladstone supported, while Sir R. Peel opposed, Mr. Disraeli's motion for inquiry on the lines he had suggested. Mr Gladstone had been in complete agreement with the transfer of burdens in 1846. "The further affirmation of the same principle was only a question of degree, of policy, and of prudence. He considered that there was reason and justice in the demand for inquiry, and he was of the opinion that acceding to it would have a tendency to draw off from the agitation for the restoration of Protection all those persons who were moderate in their views, and less apprehensive of ruin from the repeal of the Corn Laws."[3] Sir R. Peel, although in agreement with some of the

[1] 3 Hansard, Vol. 108, p. 1034, February 19th, 1850.

[2] Sir George Grey, in reply, pointed out that while the poor and county rates had been £8,648,841 in 1813 for a population of ten millions, and that the cost of poor relief then per head of population was 12*s.* 8*d.*; yet in 1849 (the year previous to the debate) the same rates only totalled £7,674,146 for a population of seventeen millions, representing 6*s.* 6½*d.* only per head.

[3] 3 Hansard, Vol. 108, p. 1207.

suggestions, was afraid the whole scheme would appropriate the surplus of that year and several years to come. Other exemptions for real property would be claimed, and the accumulating burdens would increasingly be cast on the labouring classes, whose condition had been relieved from the excessive pressure of taxation since 1842. "He was not prepared to say that full and complete relief had been given to the burdens on land in 1846—or that the expenses of vaccination, or of the militia, or of the registration of voters did not fall under the same principle as had then been applied. But he objected to the transfer mainly because it must inevitably prove a reversal of the financial policy of relieving industry."[1]

The majority against Mr. Disraeli's motion on this occasion was only 21. This very favourable reception in the Commons was followed by an inquiry by a Select Committee in the Lords, presided over by Lord Portman, which, after hearing a large number of authoritative witnesses, reported in the form of a series of resolutions embodying the following conclusions:—

(*a*) "That poor relief was a national object to which every description of property ought justly to be called upon to contribute; but, until some means could be found of defining "stock-in-trade" with sufficient accuracy for assessment purposes, it would be necessary to continue to exempt it from its legal liability.[2]

(*b*) "That although several items of county and union expenditure were charged, and others might conveniently be charged, on the Consolidated Fund, it was not expedient to provide out of that fund for the general maintenance of the poor; and

(*c*) "That any plan for assessing personal property in aid of the rates on real property would have to be considered in minute detail, especially as to the allocation of money so raised."

Meanwhile among all this political discussion at Westminster one important part of public administration—the

[1] *Ibid.*, p. 1246.
[2] See C. 9528 of 1899, p. 13.

system of police—had by its unsatisfactory character compelled attention. The permissive legislation of 1839 had proved a complete failure. Many of the counties and boroughs had declined to adopt the Act, owing partly to the opposition of the justices, and partly to the objections of the ratepayers to increase their burdens.[1] In the counties where forces had been established, few of them at all approached efficiency in point of numbers, training or discipline. In the boroughs, each borough was acting on its own individual system, and in many of them there was weakness in numerical strength of the forces, want of classification, and a total absence of any attempt at active co-operation with the forces of neighbouring areas. Many of the men were old, and a considerable proportion of them were lacking in the necessary physical strength for their work. The rates of pay were often poor, and to eke out an existence many men were engaged partially in other callings.

A Select Committee was accordingly appointed to suggest means of improvement.[2] The witnesses examined were in almost unanimous agreement that a uniform system would be infinitely better than the chaos which existed. If that were adopted, it would remove the small jurisdictions in the midst of the county police areas, which afforded places of safe retreat for bad characters. Unity of action between the counties generally, if established in the same way as unity of action had been in working between the different parishes of some counties, notably Essex, would lead to a considerable decrease of expenditure. The expense of a uniform system would probably be less than what was then being actually paid to parish constables and petty local police. With so many different systems and want of co-ordination, lax expenditure, needless friction, and general ineffectiveness for the

[1] Cf. 3 Hansard, Vol. 218, p. 643. Sir Stafford Northcote's speech, April 16th, 1874.

[2] Report of Select Commission, S. P. 1852—3, Vol. 36. Minutes of Evidence, Ques. 255, 908, 910, 1094, 3343, 3358, and Mr. Chadwick's evidence, pp. 83—88. He thought that by an efficient properly-trained police the expense of prosecutions (then £237,000 for England and Wales) might be reduced by one-half (p. 88).

main purpose—the prevention of crime—were the unavoidable results. If uniformity were imposed, certain considerable diminution of the expenses of prosecution might be expected, and a number of other expenses which bore hardly on certain districts might by compulsory co-operation be relieved, as, for instance, the heavy charges made in some districts by the railway companies for the conveyance of prisoners and police.

At that date (1853) there were 6,770 policemen in the towns and counties under the County Constabulary Act (1839). The total expenditure for these separate and unsatisfactory forces was £418,000, of which £228,000 was expended by the boroughs and about £190,000 by the counties. To form a just estimate of the real cost of the administration the expenditure for prosecutions (just under a quarter of a million) must be added. This sum, it was urged, if applied to the production of an efficient police force, would render financial assistance to the localities and would serve a more useful purpose than the prosecution of crime, namely, the prevention of it. Moreover, if the control were taken over by the central authority unnecessary local friction would be avoided, and the personnel of the forces more judiciously distributed as circumstances might require. A Bill to give effect to these recommendations was introduced in 1856 by Sir George Grey, Home Secretary in Lord Palmerston's first Ministry. The Bill, which became law as the Act 19 & 20 Vict. c. 69, provided for a compulsory and adequate supply of police in the counties and boroughs. The central authority was to contribute one-fourth of the cost of pay and clothing of such forces as were certified as efficient by the Home Office inspectors.

The immediate result may be seen from the table on page 40, showing the increase in numbers of the police enrolled in the years 1856 (before the Act) and 1857 (the year following).[1]

[1] See Reports of Inspectors of the Constabulary, S. P. 1857—58, Vol. 47, pp. 4 *sq.*, from which the tables on page 40 have been compiled.

	29. 9. 56.	29. 9. 57.
District No. 1 (Eastern Counties, Midland and North Wales).		
Counties	1,613	2,742
Boroughs	1,015	1,226
District No. 2 (Northern Counties).		
Counties (only two out of ten)	777	1,738
Boroughs	1,911	2,060
District No. 3 (Southern Counties).		
Counties	1,414	2,603
Boroughs	1,106	1,189
Totals (in 1856)	7,836	11,558 (in 1857)

In District No. 1, which contained 25 counties, the newly-appointed inspector, on his visit in the early part of 1857, found 15 counties had established a force under the 1839 Act (two of them for a portion of their counties only). Of these 15 only 9 had provided a force at all approaching efficiency in point of numbers; the boroughs were working very inadequately on strictly independent lines. Without attempting to dictate to the local authorities, or unduly wounding their susceptibility, he placed before them the advantages of a more uniform system in the matters of assimilation of pay and classification, and attempted to bring the counties and boroughs into close communication with one another. "In the counties which had not hitherto adopted the first Police Act the magistrates immediately took means for placing their counties under the Act of 1856, and, after the election of the chief constables, an organisation of the forces was zealously carried on, to which the inspector rendered every assistance in his power."[1] By the last quarter of the police year only two counties, Salop and Rutland, were in an unsatisfactory state; the former, on a second appeal, had increased its forces, and of the 25 counties but one—Rutland—was reported as still inefficient at the end of the year.

In the 68 boroughs of the same district—

30 were certified efficient with independent forces;

16 were certified efficient, and had consolidated with the counties;

22 were inefficient.

[1] *Ibid.*, p. 82.

Of these, 8 were towns of over 5,000 in 1851 census, and 14 were towns of under 5,000 in 1851 census.

District No. 2 had been in a very unsatisfactory condition under the older Act, but had, under the new conditions, greatly improved in general efficiency.

In District No. 3, containing 20 county police divisions—[1]

8 had been efficient all the year and previously;
8 had been efficient since their formation after September 29th, 1856;
4 were inefficient on the score of small numbers, of which, however, 2 had since increased their roll.

Of the 53 boroughs, which in the 1851 census were over 5,000 in population—

19 were certified as efficient;
5 had increased their numbers, as recommended;
14 were generally well organised, but too small;
1 was defective in organisation;
14 were inefficient in organisation and numbers.

Of the 28 boroughs with a population under 5,000—

5 were efficient in numbers;
3 had since (September, 1856) augmented their staff;
3 had consented to consider the recommended increase;
10 had given no reply to recommendations;
7 had declined to augment their forces.

The new reverse principle of administrative action, namely, central initiative and local supervision, combined with the grant in aid, had thus achieved its main objects—increased uniformity and efficiency.

This rapid growth in administrative supervision, and the necessary increase of building accommodation, provoked discussion of the question of the exemption of Government property from local rates and taxes. According to

[1] *Ibid.*, p. 84.

the law and practice of rating it had become established that[1]—

(*a*) The Crown, not being named in the Statute of Elizabeth, was not bound by it.

(*b*) No local rate could be imposed in respect of property in the occupation of the Crown, or its servants, or other persons who occupied property for public purposes which are required and created by the Government of the country.

(*c*) The exemption attached, although the property be used for purposes of Imperial Government in a particular locality only, and although it is provided and maintained by means of funds raised by the rates.

(*d*) Property occupied for "public purposes" is not exempt, unless it comes within the foregoing propositions.

The immunity from rates had notably decreased the resources of districts containing dockyards, arsenals, barracks, and storehouses for the regular forces and the volunteers, and a Select Committee was appointed in 1858, which obtained from the Central Government a significant concession of the principle that "any exemption which withdraws a portion of property from the rateable fund operates as a sensible detriment to the other ratepayers, because it increases the common burden, whatever may be the amount of the expenditure." This grievance in respect of Central Government property was intensified by the inconsistency and obscurity which had surrounded the law as to the rateability of premises occupied by local public authorities.[2]

[1] These four propositions are quoted in the final report of Royal Commission on Local Taxation, Cd. 638 of 1901, p. 46, n., as having been established in the "Law and Practice of Rating," by Walter C. Ryde, p. 79.

[2] "Lord Herschell said in the London County Council sewage station cases (*L.C.C.* v. *Erith*, *&c.*, 1893), 'Many of the earlier decisions are tainted with this vice, that they proceed upon the supposition that lands held for public purposes are on that account not rateable. The doctrine is now exploded, your Lordships' House having distinctly determined that the circumstance that land is held by a public body for public purposes does not affect its rateability.'" (See final report Local Taxation Commissioners, p. 47, n.)

In the then state of the law the Committee reported that buildings and lands occupied by "municipal or other public bodies for a public purpose, such as county and borough gaols, judges' lodgings, court-houses, and police stations, were within the exemption," on the ground that there was no "beneficial occupation."

Under these circumstances, and as a means of redressing the grievance, Lord Derby's Government attempted, but failed, to carry a Bill altering the law so as to make all such property liable to local assessment. In the next year (1859), Sir George Lewis, on being questioned respecting the intentions of the Government in the matter of rates on Government property, regretted that any Bill on the subject promised to make little progress, owing to the special difficulty of rating the premises occupied as charitable institutions and by societies for literary and scientific purposes. However, "he hoped to carry into effect an arrangement with some of the principal parishes in which complaint was made, giving them compensation for the non-rating of public establishments. The arrangement could be carried out by a vote of the House, without necessity of having recurrence to legislation."[1] This compensation took the form of an annual contribution in lieu of rates. In 1860 a grant of £35,000 was voted, for distribution among those parishes where the Government possessed property to the extent of one-seventh of the total rateable value of the parish, subject to poor rate.

Three years later, a new system was adopted with regard to new property (*e.g.*, site for courts of justice). In these cases the old rateable value was taken, and the rates were paid by the Government accordingly. In the next few years the inconvenience of this mode of fixing contributions provoked considerable discussion, and in 1873 a Bill was introduced to abolish all exemptions; but the Bill was dropped, on the ground that it "would lead to unsatisfactory results in all directions." Accordingly Sir Stafford Northcote, in the following year,[2] among other proposals for the relief of

[1] 3 Hansard, Vol. 154, p. 794, July 7th, 1859.
[2] 3 Hansard, Vol. 218, p. 643, April 16th, 1874.

local burdens, included an amended system, by which grants should be made to all parishes where there existed any Government property, irrespective of whether it reached one-seventh, or any other proportion of the total valuation, and for all rates. By this proposal the £63,000 grant was increased by a further addition, estimated for 1875 at £170,000.

The rigid self-sufficiency of the parish, which we have noted as the dominant characteristic of ancient English organisation for most purposes, had become entirely unsuited to meet the changed conditions of English life in the second half of the nineteenth century.[1] There had been, it is true, early suggestions of common responsibility of neighbouring areas; but it was the great changes brought about by the industrial revolution, the spread of railways, the rapid growth of large urban areas comprising several parishes—some rich, some poor—which compelled readjustments of administration and finance. Extensions of the area of chargeability and of supervision inevitably resulted from increased mobility. Accordingly, during the seventh decade of the last century we find two subjects claiming general attention: (1) the highways, and (2) the relations of wealthy parishes to poor ones, particularly in the metropolitan area.

In 1864 the consideration of the question of turnpike trusts and tolls, which had engaged the attention of a Select Committee more than a quarter of a century before, was resumed. Meanwhile, the financial condition of the trusts, and the burthens of the ratepayers, had been gradually getting worse, but nothing had been done to remedy the unsatisfactory state of affairs, as a whole, in England. The position was this. By Local Acts the roads had largely been given into the control of Turnpike Trustees, who levied tolls on the vehicular users of their roads. There were some 1,100 trusts, which had erected

[1] Even the parish was sometimes regarded as too large an area for relief under the old Poor Law. Many of the largest parishes, especially in the North of England, were split up into townships and hamlets, each retaining its liability for its own poor, and appointing its own overseer.

about 8,000 toll bars. The expenses of management were enormous and wasteful; the costs of collection were heavy. In many cases it took half the revenue to pay the expenses and establishment charges, without including the cost of repairs, which were principally put on the parishes of the district. Moreover, the costs of renewal of the local Acts were a formidable item of expenditure, although for some few years previously saving had been made by the practice of including these Acts in the Continuance Bill of each year.[1] The anticipation of the Committee of 1836, as to the probable effect of the railways, had been, to a great extent, realised; they had diverted the through traffic, while that on the roads had become chiefly local, and the tolls were generally paid by the local ratepayers. The tolls were unequal in pressure and injurious to local business, as well as highly inconvenient to the general public. While, in principle, it would appear equitable and proper that those who used the roads should contribute directly and mostly to the expense of maintenance, yet, in practice, it is almost impossible to conceive a more expensive system. Everywhere there was dissatisfaction, and the toll gates were regarded as nuisances which the public would gladly pay something to get rid of. Many parishes took action in this direction, and made private arrangements with the mortgagees who were applying for a new Act. The latter abandoned their Act and surrendered their rights for a monetary compensation; the toll gates were taken down, and the turnpike became a highway solely under the control of the ratepayers or their representatives.[2] This parochial burthen would, however, press unequally and unjustly on many small, poor, or peculiarly-situated parishes, and the Commissioners of 1864 accordingly recommended

[1] H. of C. Paper No. 383 of 1864, S. P., Vol. 9, p. 331.

[2] While the bonded debt on turnpike trusts and tolls, which in 1836 exceeded £7,000,000, had been reduced by 1864 to little more than four millions nominally, there were arrears of interest amounting to £760,000. "Cases were not rare where the whole produce of the tolls, after payment of establishment charges, were absorbed in the payment of interest on debt; arrears accumulated, and the whole burthen of the maintenance of the roads was thrown (by common law) on the parishes." (See Report on Turnpike Trusts, S. P., Vol. 9, p. 334.)

the adoption of a more extended area of rating. The debt, which had only a current value of about three millions, they were advised might be liquidated by an annual sum of £180,000 for twenty-five years. "On the whole they were of the opinion that the abolition of turnpike trusts as then existing would be both beneficial and expedient, and might be practicable, if the system previously adopted in Scotland and South Wales were acted upon in England and North Wales."

As a result of these recommendations, the turnpikes gradually disappeared and the maintenance of the roads became a charge on the rates. The area of local liability was extended in 1878 (by 41 & 42 Vict. c. 77); half the cost of main roads was thrown upon the county rates, the remainder only on the districts and parishes.

This enlargement of the area of financial responsibility had also been forced upon the legislature by the practical experience of the working of the new Poor Law. It will be remembered that a beginning had been made in the Act of 1834 itself, by the compulsory formation of a common fund in each union for the payment of establishment charges. To this fund, however, each parish contributed, not in proportion to its rateable value (which was a true criterion of its resources), but according to its actual expenditure on poor relief. Peel, in pursuit of his policy of freeing industry, and in the interests of the working classes who had up till then been bound to their parishes by the harsh provisions of the old law of settlement, reduced the period of compulsory residence necessary to establish a claim on the parish to five years.[1] By the Irremovable Poor Act (1847) it was provided that persons who had lived five years in any one parish should not be removed therefrom, but should become chargeable to it, so long as residence therein continued. "It seems almost impossible to those who are unacquainted with the phenomena of English legislation that Parliament did not perceive—what of course

[1] See 3 Hansard, Vol. 83, p. 267.

mmediately happened—that the burden thrown upon the parishes in which[1] the irremovables were residing would become a source of serious hardship." Accordingly, in the next year, a means of redressing this grievance was obtained by an Act throwing the entire cost of these irremovables upon the union. Union chargeability in this manner became substituted for parochial.

During the next twenty years the application of the principle of extension of chargeability rapidly developed. In 1848, the relief and burial of vagrants were thrown on the union common fund; in 1861, the period of irremovability was reduced to three years, and the area was extended from one parish to the whole of the union within which the parish was situated; parishes at the same time were compelled to contribute henceforth to the common fund in proportion to their rateable value; and lastly, in 1865, union responsibility was made complete by the enactment that the whole cost of poor relief of all kinds within the union should be borne by the union common fund, and for all practical purposes settlement was virtually abolished by the regulation that henceforward residence of a single year should make a pauper chargeable to the union in which he lived.[2]

With regard to the metropolis, a Select Committee of the Commons on Poor Relief had received much evidence showing the unequal pressure of charges for that purpose in the metropolitan parishes, and various plans had been submitted to them for the equalisation of the poor rates, which exhibited wide variations (from one farthing to 14*s.* in the pound) all over the country; but, owing to the peculiar circumstances of the London area, were there particularly noticeable and obviously unjust. High valuations and low expenditure on poor relief in the richer of the thirty unions, in what was practically one city, were in flagrant contrast

[1] See Fowle's "Poor Law," pp. 151—2.

[2] The Select Committee on Poor Relief in 1864 had advised "that any measure for extending the area of rating should embrace provisions for making the whole cost for the poor in each union chargeable on the common fund of the union." See Report, S. P., Vol. 9 of 1864, p. 48.

with low valuation and excessively heavy expenditure in the poorer unions, where the ratepayers had not only to maintain their own destitute persons, but also the casuals attracted to the town and, as a special injustice, the poor of the richer districts who had gradually drifted for various reasons into the poverty-stricken areas. To relieve these poorer unions the Metropolitan Common Poor Fund was established by the Metropolitan Poor Act (1867), which distributed certain specified items of poor rate expenditure equally over the whole metropolitan area on the basis of rateable value; the particular charges picked out for common burden being those which were not supposed to vary to any considerable extent according to efficiency of administration.[1]

In the same session which had seen the passage of the Metropolitan Poor Bill, a considerable extension of the principle of mutual and equitable sharing of common burdens was advocated by Mr. Goschen, to be applied to sanitary works and other public improvements.[2] In spite of the Act of 1860, which compelled local bodies under a penalty of £20 to transmit yearly returns, yet in 1866, out of 760 local boards in the country, only 161 made returns. This was worse than it had been immediately before the compelling Act had been passed. Of 211 boroughs in 1856 there were 169 which made returns, but out of the same number in 1866 only 75 did so, and they were not always from the same towns. This slackness, arising probably from the indifference of

[1] By the Act of 1867 the expenses to be paid out of the Common Poor Fund were:—(1) Pauper lunatics; (2) fever or small-pox patients in asylums; (3) medicine and medical and surgical appliances supplied to those in receipt of relief; (4) all salaries and cost of rations of officers, managers, and dispensers, provided that their appointment is sanctioned by Poor Law Board; (5) compensation to dismissed medical officers; (6) fees for registration of births and deaths; (7) vaccination fees; (8) maintenance of children in district, separate, certified and licensed schools; (9) relief of destitute persons certified by the auditors, and provision of casual wards under the Houseless Poor Acts of 1864—5. Additional items have since been cast upon the fund. See list in Local Government Board Report for 1897—8 and 1906—7, p. clix. For contributions into, and receipts from the M.C.P.F. during the past nineteen years, see Local Government Board Report for 1906—7, pp. 426 *sq.* See also Chapman, "Local Government and State Aid," p. 85, n.

[2] 3 Hansard, Vol. 190, p. 1013.

the local bodies, and the want of enforcement of the penalty on the part of the central authority, rendered any attempt at comparison of general burdens an exceedingly difficult task.[1] But from the scanty material available, sufficient evidence was forthcoming to show a serious increase in urban taxation and debt; the latter in the boroughs had increased over 30 per cent. in the years 1855—65.

To meet these increasing charges, which bore heavily on the poorer districts, some fresh source of revenue must be obtained. Arguing from the case of London, Mr. Goschen said "the classes in the West End paid one-tenth of their income in the shape of house rent; taking rates at 3*s.* in the £, they contributed 1½ per cent., or (making allowance for under-assessment) probably only 1 per cent. for municipal purposes. On the other hand, the workman in the East End paid out of his 25*s.* a week probably 5*s.* a week for rent; the rates on that rent often amounted to 30 per cent.; thus, it might be considered that a person thus situated paid 6 per cent. of his income for similar municipal purposes, but often of a very inferior quality."

As rectification, some tax on income ability seemed the line of least resistance to take. An extra penny might, he thought, be levied on the income tax for municipal purposes. The difficulty of collection might be obviated by an exchange with the Central Government for the Inhabited House Duty, which was easy for the local authority to collect, whereas there were great obstacles in the way of local income tax levies. His chief reason for the suggestion was his recognition of the fact that, especially in London, the local bodies had "come to the end of their resources, but were only at the beginning of improvements which were absolutely necessary."

The agitation on the general question of local rating, mainly carried on in the interests of the owners of agricultural land

[1] As evidence of the indifference of the central authority to mere questions of local taxation, Mr. Goschen pointed out that "since 1855 returns coming in had been tied up in bundles of manuscript and sent to the library." (3 Hansard, Vol. 190, p. 1013.)

by Sir Massey Lopes,[1] and of occupying tenants in urban areas by Mr. Goschen led to several discussions in Parliament in the years 1868, 1869, and 1870; and finally a Committee was appointed, of which Mr. Goschen became chairman, to inquire into "the progressive increase of local taxation, with special reference to the proportion of local and imperial burdens borne by the different classes of real property in the United Kingdom as compared with the burdens imposed upon the same classes of property in other European countries."[2]

Valuable as the report is as a first attempt to institute a comparison between different periods and different countries on the relations of national and local taxation, it must be remembered that the methods and results of the inquiry have certain inherent weaknesses to which Mr. Goschen, of course, was not blind; indeed, he purposely points them out in the following extracts given in his own words. "The difficulty of obtaining precise information as to the aggregate amount spent by all the local authorities seems to have been as great amongst our neighbours as amongst ourselves. . . ." "In Prussia the same desire has been felt to collect accurate information as to the total extent of their local burdens, and the same irritation at the difficulty of obtaining complete returns as has been experienced here. . . ."[3] "The return moved for by Mr. Hunt (No. 497, Session 1868), and compiled under the care of the Poor Law Board, has supplied the most complete data as to the amounts raised by 'rates' which has yet been obtained; but the absence of any equally trustworthy document for previous years renders extreme caution necessary in instituting comparisons."[4]

These drawbacks mainly affect the first part of the report, which deals historically and geographically with the general

[1] Cf. Farrer, "Mr. Goschen's Finance," p. 57. "It is probable that Sir M. Lopes would not have been so successful as he was if the pressure of ratepaying occupiers in towns had not been united to that of the rural landowner." See also pp. 54, 55; and Goschen, "Local Taxation Speeches," pp. 148—9.

[2] H. C. 470 (1870), reprinted as 201 of 1893.

[3] *Ibid.*, p. 1.

[4] *Ibid.*, p. 2.

subject of local taxation. Similar difficulties, though not so great, arise when the question of the increase in the value of real property is dealt with. But these statistical weaknesses become magnified when a different branch of the inquiry is reached. "Any view of the burdens imposed upon real property by local taxation is incomplete, unless the case of real property, as regards Imperial taxation, is worked out at the same time. . . ." "In the various tables of Part III. taxation has simply been divided into that which falls on real property and that which does *not* fall upon real property."

These tables show that in England in 1868 were raised[1]:—

	Amount.	Per cent.
A. Imperial Taxes.	£	
(*a*) "Taxes falling upon real property".	5,676,927	12·17
(*b*) "Taxes not upon real property" .	40,976,022	87·83
Total Imperial taxation . .	£46,652,949	100·00
B. Local Taxes.		
(*a*) "Taxes falling upon real property".	16,262,000	78·81
(*b*) "Taxes not upon real property" .	4,363,000	21·19
Total local taxation . . .	£20,625,000	100·00
C. All Taxes—Imperial and Local.		
(*a*) "Taxes falling on real property" .	21,938,927	32·57
(*b*) "Taxes not on real property". .	45,339,022	67·43
Total taxation	£67,277,949	100·00

In submitting this table, he goes on to point out that "it should not be forgotten in this comparison that the amount of taxation borne by real property is overstated.[2] The profits on railways, canals, etc., are rated, and supply a

[1] *Ibid.*, p. 130. For criticism of Mr. Goschen's report, see Mr. Dudley Baxter, *Times* letters and "Local Government and Taxation and Mr. Goschen's Report" (1874).

[2] Mr. Goschen's Report, p. 31.

very considerable sum, which ought not to have been included in the amount derived from taxes on real property; and, further, it has been conclusively proved that a great proportion of the rates, especially in towns, does not fall upon the owner, but is paid by the occupier, *i.e.*, the consumer of houses. Throughout this report, rates have been treated as falling on real property, but in reviewing the comparison frequently drawn between the burdens upon the owners of real property and those borne by other classes in the community, it would be wrong to consider that the whole amount of rates falls upon the former class. Indeed, the term "taxes on real property" is in itself somewhat misleading. If the term generally used were "taxes on the owners of real property," it would at once become apparent that the total of rates is by no means paid by them.

"If a comparison were drawn between persons deriving an income from real property and persons deriving an income from other sources, the case would be by no means identical with that which is made out when 'taxes on real property' are spoken of generally, instead of 'taxes on income from real property.' These considerations must never be lost sight of in reviewing the incidence of local taxation. It may be further remarked that, in proportion as a larger share of taxation is levied in respect of houses than of lands, so does the amount paid by the occupier, and not by the owner, increase.[1] It will be shown subsequently that the relative aggregate value of houses, as compared with lands, is infinitely greater in England than in foreign countries; and, accordingly, when, in a later portion of this report, the burdens on real property in England are compared with those borne by real property elsewhere, it will be necessary to make a much larger deduction in the case of England for taxes borne, not by the owner, but by the occupier, than would be the case in other countries."[2]

Allowing for discrepancies in detail, and the fallacies

[1] See also Goschen, "Local Taxation Speeches, etc.," p. 149; and correspondence with Sir Julian Goldsmid.

[2] Mr. Goschen's Report, p. 31.

involved in the more or less arbitrary classification adopted, yet the investigation had, taken broadly, led to the following general results[1]:—

(1) The increase in local taxation in England and Wales, though considerable, had been less than in the foreign countries considered, viz., France, Belgium, Prussia, etc.

(2) Since 1841 the rates had risen from eight millions to sixteen millions.

(3) Six and a half millions of the increase had fallen on urban districts only.

(4) Of the total increase, two millions were due to poor rates, five millions to town improvement rates, and one million to police and miscellaneous purposes. While the rise in poor rate had increased the burdens of the town, the "hereditary burdens" of the rural districts had gradually been lightened by the transfer of a portion to other kinds of property. The increase in urban rates represented all kinds of municipal expenditure, and "a great portion of the outlay must be regarded as remunerative in many senses, and as being not so much a burden as an investment."[2] For the higher police expenditure "a distinct equivalent in value had been secured." The half million due to miscellaneous purposes—registration, vaccination, burial boards—was expenditure from which very largely the ratepayers derived direct benefit.

(5) The increase in rateable value had been extraordinarily great, and had to an appreciable extent followed the course of the increase in local taxation, being greater in the urban and manufacturing than in the agricultural districts.

(6) Compared with the foreign countries, houses in England were heavily taxed; the burdens on land were not heavier than they had previously been during the

[1] Report on Local Taxation, 1870, pp. 40, 41.

[2] In his "Rating and Local Government Bill" and "Local Taxation Bill" of 1871 Mr. Goschen proposed that (*a*) the inhabited house duty should be paid to the local authorities, and (*b*) the payment of half the rates should be transferred from occupiers to owners.

century, and were not so heavy as in most foreign countries.

Very naturally the champion of the agricultural interests in the House, Sir Massey Lopes, seized on this acknowledged large increase in the rates and the proposed surrender of the house tax, then amounting to £1,200,000, to the local authorities, as the candid admission of a vast injustice, though the transfer would in his opinion be neither satisfactory nor sufficient.[1] He contended that the measures suggested for the relief of urban ratepayers were a strong argument for redress of the grievances of the rural districts, where many of the amenities for which the town dweller was taxed (and the payment for which was regarded as a new burden) were supplied out of private resources, or did not exist at all, yet the rural unions for common purposes paid rates (1s. 5½*d.* in the pound) which were nearly as high as those in the towns (1s. 7¼*d.* in the pound). "The remission of five millions in Imperial taxation of the previous year had been to the whole community, but it had been counterbalanced by an increase in local taxation of £2,500,000 for education, vaccination, etc., and this burden was put on the ratepayer who represented only one-seventh of the annual income of the country."[2] The income tax payers had complained loudly of the 2*d.* extra imposed the year before, but the Education Act had laid an additional 6*d.* rate on rateable property only; this would be equivalent to an annual charge of two and a half millions, which it had not yet reached, but unfortunately was in prospect in the near future. For county and other purposes the charge of £692,000 in 1834 had risen to three and a half millions in 1870; fresh charges had since the same year been added for various purposes which in 1870 amounted to—

[1] 3 Hansard, Vol. 210, p. 1331, April 16th, 1872. "In 1870 the amount raised by Imperial taxation was £68,000,000; deducting the £27,000,000 for interest, etc., of national debt, there remained £41,000,000 raised by Parliament for national purposes, as against £30,000,000 raised by local taxation." This is an over-estimate. See Goschen's Report, p. 4.

[2] The estimated total income of England and Wales was then £800,000,000; total assessed to income tax, £340,000,000; total value of rateable property, £105,000,000.

registration of births and deaths (£76,000), vaccination (£64,000), parliamentary and burgess lists (£70,000), highway boards (added in 1865, £650,000); so that the increased taxation on rateable property for general county purposes had been upwards of 500 per cent.

The resolution which he moved claimed "relief for occupiers and owners in counties and boroughs from charges imposed for the administration of justice, police, and lunatics, the expenditure for such purposes being almost entirely independent of local control." With regard to the administration of justice, the Act of 1867 had placed the prisons almost completely in the hands of the Home Secretary, who had obliged all prisons to conform to the regulations laid down. "Any deviation was attended by a threatened withdrawal of the Government grant for convicted prisoners, so that the magistrates had little control over the expenditure, and the ratepayers who contributed still less."[1] The police rates had doubled since 1856, but the magistrates had no right to interfere; they had some slight control over salaries of constables, but the "Home Secretary imposed a maximum and minimum scale of wages, and as the margin was a narrow one, most of the men had reached the maximum, and that small power of control was gone." The charges for lunatics were still more serious. The expenditure, which was largely dictated by two central authorities, the Local Government Board and the Lunacy Commissioners, was rapidly growing, and was unjustly distributed, the expenses of pauper lunatics having settlement being paid by the guardians out of the poor rate, while those of persons without settlement and the whole costs of asylums came out of the county funds.[2] Towards this heavy burden (£1,013,000 in 1870) there was no grant from the Government.

[1] 3 Hansard, Vol. 210, p. 1344.

[2] *Ibid.*, p. 1347. Altogether there were at this date "50,000 pauper lunatics subsisting on the rates," a number which was roughly 5 per cent. of the whole of the paupers. In 1862 an Act had been passed giving power to the Home Secretary to order the compulsory building of an asylum on the suggestion of the visiting justices, and without reference to the wishes or approval of the magistrates in quarter sessions.

To give practical effect to his resolution, he proposed that as a reasonable compromise the Consolidated Fund should bear :—

(*a*) All the costs of administration of justice ;

(*b*) One-half the costs on account of the police ;

(*c*) One-half of the expenditure on lunatics,

which would mean a relief to England and Wales of £1,656,000.

In spite of the speeches of Sir Thomas Acland and Mr. Stansfeld, who had succeeded Mr. Goschen as President of the Local Government Board (which had in 1871 superseded the old Poor Law Board), the resolution was carried against the Government by a majority of 100.[1]

The opportunity of action in accordance with this very decided vote arose two years later, when the Conservatives came into office, and inherited a very handsome surplus from their predecessors. Sir Stafford Northcote, the new Chancellor of the Exchequer in succession to Mr. Gladstone, was in the happy position of contemplating an excess of revenue over expenditure which "would reach the extraordinary amount of six millions."[2] In deciding what objects this disposable fund should be applied to, the Ministry had given first place to the relief of local taxation, "not only from pledges given, but as the subject of the highest national interest at that time." The Chancellor of the Exchequer argued that since 1846 industry had been immensely cheapened by huge remissions of taxation, but another side of the question of finance stood in just as much need of attention and reform as did the side of indirect taxation in the days of Sir Robert Peel—the "question of direct taxation generally, and especially of direct local taxation."

For many of the branches of the public service local administration was, in the opinion of the Government of the

[1] A noticeable feature of this debate was the declaration by Mr. Goschen that a highly commendable means of relief to local taxation would be achieved by "the appropriation to county finance of certain sources of revenue, such as the licence duties" (3 Hansard, Vol. 210, p. 1402), "to avoid the constant grasping at the Consolidated Fund."

[2] 3 Hansard, Vol. 218, pp. 643 *sq.*, April 16th, 1874.

day, absolutely necessary; but "that very dependence on local bodies, and local action in carrying out a social policy, made it so much the more imperative that local taxation and the expenditure for which it was levied should be put on a sound, proper, and equitable footing." In considering the advisability of a reform of the relations of national and local finance, Sir Stafford acknowledged that, in many quarters, proposals had been made that instead of grants, certain branches of Imperial revenue might be handed over to local authorities; but the complicated character of this change would have involved a very careful revision of the whole system of finance, and that had not been possible within the short period the new Ministers had been in office. In the meantime, as measures immediately practicable which were "not to be regarded as absolutely final, but rather as a means of facilitating what might be done at a later time," the following changes were proposed [1]:—

(1) The State was to provide a grant of 4*s*. a head for pauper lunatics. The amount of the grant was thus not to be a fixed proportion of the amount that might be expended on lunatics, but a fixed grant of so much per head. The reason given was that "the motives of economy in administration which then prevailed might still continue." The expense of maintaining a pauper in the union workhouse was somewhat over 5*s*.; the average cost per head in asylum, was rather under 10*s*., and it was thought that 4*s*. a week would represent pretty fairly the difference between the cost of the pauper in the workhouse and in the asylum.[2] The estimate for the change was £480,000 per annum. The proposal to lay the charge of insane patients on the counties, instead of the unions, was dismissed as impracticable and inconvenient, owing to the fact that in most cases the areas were not conterminous.

[1] *Ibid.*, p. 655.

[2] Sir Stafford Northcote claimed the support of Mr. Gladstone for this proposal, since the latter had, in disposing of the Irish Church surplus, laid it down that "it should not be given indiscriminately to the relief of the poor, but had selected lunatics as the first object to which it should be devoted."

(2) The police grant was to be raised from one-fourth to one-half of the cost of the pay and clothing of the forces in England and Scotland. This proposal would cost £600,000 a year.

(3) The Government compensation in lieu of rates to be given to all parishes which contained Government property, irrespective of the amount of such property, and applying to all rates. The suggested enlargement would add £170,000 to the £63,000 then allocated under this head. As a result of these alterations, the total of the grants in aid of the local authorities was an estimated increase by £1,250,000. This estimate was beyond what was actually expended, as may be seen by reference to Table I., which shows that the actual aggregate of grants in aid paid out of General Exchequer Revenues had risen during this period, from about half a million sterling in 1852 to two millions and a quarter in 1875.

CHAPTER IV.

The Administration of the Early Grants.

Turning now to the purely administrative side, what had been during this period the effect of the grants made at the beginning of it? Had the grants increased the powers of supervision of the central departments? What enhanced effectiveness had they given to their power of suggestion, criticism, and control over local administration? What was the result of the grants on the services themselves?

To answer these questions in all their bearings would involve a much broader survey than is here possible. A general sketch is all that can be attempted. For convenience, the review may be divided under the headings of Poor Law Grants, Police Grants, Education Grants.

POOR LAW GRANTS.

(a) *Medical Relief.*—Medical relief formed the subject of a special inquiry of a Select Committee of the House of Commons in 1854. That committee did not recommend any change in the system as administered under the regulations of the Poor Law Board framed in 1847. In 1846 the Poor Law Board had called the attention of the Assistant Commissioners to the grant then recently made for the salaries of the Poor Law medical officers and schoolmasters and mistresses, stating that "it was the intention of the Government in proposing the votes to contribute to an improvement in the character of the workhouse schools and the system of medical relief."[1] The Assistant Commissioners were instructed "to report with respect to those unions, in

[1] Report Poor Law Board, 1847, p. 17.

their respective districts, in which the schools were least effective and the medical relief least satisfactory, in order that the Commissioners might take steps for improving both these branches of union management." In 1847 the Commissioners reported that they were taking steps to remove defects pointed out.[1] In the case of medical relief the districts were often too large to afford ready facilities; the Commissioners, acting on the advice of their assistants, procured the division of many of the larger areas with the result that, whereas the number of medical officers in 1840 was 2,376, by 1861 they had increased to 3,479, an increase of 46 per cent., while the number of unions in the same period had only increased 5 per cent.

The amount spent on medical relief, which in 1838 was £136,775, rose to £197,954 in 1848, and in 1861 to £238,233.

In addition to the foregoing, in 1840 vaccination fees began to be paid, generally to medical officers to the amount of £40,000, which by 1864 had risen to £50,000. In 1842 surgical fees had been instituted, which in 1864 amounted to £40,000.[2]

In 1863 special fees began to be paid for visiting lunatics, and for special duties in cases of fever outbreaks. Altogether in 1864 one-third of the money spent on union officers was spent on doctors and medical relief.

The Commissioners of 1864 report that in spite of the continuous policy of splitting up large areas, so as to increase the opportunities to the poor of obtaining medical attendance, there was no difficulty in getting the services of competent medical practitioners as union officers; the system under which medical relief was administered had been greatly improved, and that "the poor were never so promptly

[1] "Our special attention has been directed to the defective condition of the infirmaries and sick wards in many workhouses, and we have great satisfaction in stating that, under advice of our Assistant Commissioners, great improvements in the accommodation and separation of the classes will be soon effected." Poor Law Board Report (14th), 1848, p. 4. (See also Local Government Board (1st) Report, 1871—2, p. xxviii.)

[2] Report of Select Committee on Poor Law Medical Relief, S. P., Vol. 9 of 1864, p. 16.

attended to, or so effectually relieved during sickness as they were at that date."[1]

(b) *District Auditors.*—The Poor Law Board had anticipated great improvement from the change in the method of audit effected by the law of 1844 (7 & 8 Vict. c. 101), and the arrangements made under that statute by which district auditors had been substituted for auditors elected by each Board of Guardians and acting separately for each union.[2] The evidence shows that the alteration "had led to a greater uniformity of procedure, more vigilant and detailed examination of accounts, and more careful expenditure of the funds raised for the relief of the poor." A comparatively lax audit had given place to a more stringent one, which had produced some "dissatisfaction on the part of the guardians and parochial officers in some districts"; but the net effect had been wholesome, and the Commissioners in 1864 did not recommend any change. To ensure thorough and legal control they did not approve of the proposal that auditors should be authorised to allow any expenditure not warranted by the law. In order that the auditors might be removed from all contamination by local influences they did, however, recommend that they should be appointed by the Poor Law Board (as had been suggested by the Select Committee of 1838 and by the Commission of Inquiry appointed by the Treasury in 1852) instead of by the chairman and vice-chairman of the guardians.

(c) *Poor Law Teachers.*—Much conflicting evidence exists as to the effect of the grant first made to the teachers in workhouses in 1847.[3] There is a very general agreement

[1] "The Boards of Guardians generally are alive to the importance of carrying out the provisions of the Vaccination Extension Act to the fullest extent. A few Boards, however, still manifest great indifference on the subject." See Poor Law Board Report for 1847, p. 18.

[2] Report of Select Committee on Poor Law Medical Relief, S. P., Vol. 9 of 1864, p. 17; Report Poor Law Board (14th), 1848, p. 4.

[3] Mr. Nassau Senior (one of the members of the Royal Commission on Education) examined by the Poor Law Committee says, "The education of children in workhouses appears to have been stationary during the ten years 1850—61." On the contrary, Mr. Ruddock (Poor Law Inspector) in 1859 says, "In very many respects I have to congratulate myself on the improvement which has taken place in the

that during the first few years afterwards the improvement of the schools both as to instruction and industrial training was very considerable.

But while some of the inspectors maintained that a stationary period had commenced in 1852 and had persisted until 1872, others as strongly incline to the opinion that the improvement had been steady, marked, and continuous.

The reason of the stagnation alleged was that whatever progress had been made was "due simply to the examination of the teachers and the inspection of the schools"—the necessary conditions for the receipt of the grant—and that these agencies had by 1852 or thereabouts produced the full amount of benefit that was permitted to them by the system according to which pauper education was generally carried on.[1] The defects of the system were the necessary consequences of its origin. At the time of the institution of the new Poor Law administration, the value of education as a means of stemming the flood of pauperism was not fully recognised. The Poor Law schools were consequently "not formed with the single view of educating the children in the most efficient and economical manner; they were regarded as mere adjuncts to the workhouse."[2] As a result the majority were so small that they would not have been recognised as schools for either building grants or maintenance grants by the Committee of the Council on Education.[3]

conditions of the schools, especially during the last eighteen months. If I compare their present state with that I first described ten years ago, I have every reason to be thankful that my labours have not been in vain." Mr. Tuffnell, another inspector, "did not agree with Mr. Senior; they had not been stationary during the past ten years." See also Nicholls, "History of English Poor Law," Vol. II., pp. 370 *sq.*

[1] Local Government Board (1st Report), 1871—2, p. 224.

[2] *Ibid.*

[3] Mr. Bowyer, inspector of the Eastern and Midland District, gives the following analysis of the schools in his district in 1868: Schools of from 80 to 90 children (1); 70 to 80 (3); 60 to 70 (2); 50 to 60 (6); 40 to 50 (17); 30 to 40 (47); 20 to 30 (70); 10 to 20 (58); 1 to 10 (7); and one Birmingham Union School for 500 to 600 children. See Local Government Board Report for 1871—2, p. 228. "The number of schools does not correspond with the number of unions, as there are still unions without workhouses, and also several workhouses without schools." (Report of Mr. Browne (W. Dist.), *ibid.*, p. 234.)

While in the larger schools efficient teaching by the better qualified teachers had been obtained by means of the grants, on the other hand the subventions from the central authority had increased the disinclination of the guardians to make any changes, either by building district schools of their own or even of sending their children to those of a neighbouring union. This was partly due to their aversion to laying a heavy immediate burden on their administrative areas—although with a probability of insuring a permanent saving in the future—and also to their general indifference to education, their fear of providing the pauper children with greater facilities than were generally at the command of the children of the ratepayers themselves, and to their wish to retain in their own hands the few remnants of patronage and privilege which the central powers still allowed.

As a way out of the difficulty the Royal Commission appointed on June 30th, 1858, "to inquire into the state of popular education and to consider and report what measures, if any, were required for the extension of sound and cheap instruction to all classes of the people," and which was presided over by the Duke of Newcastle, had been in favour of the compulsory establishment of district and separate schools, to remove the inducement to the pauper children of regarding the "workhouse as a home," and on the ground that the arrangements of the workhouse schools were such that it was becoming increasingly difficult to obtain and keep competent teachers.

The members of the Select Committee on the Poor Law (1864) themselves say in conclusion of their report :—

"Whatever may have been the state of education in workhouses previously to 1847, there can be no doubt that since that period it has made remarkable progress.[1] The starting

[1] Mr. Tuffnell (inspector) says: "In most workhouses the intellectual education of the children is extremely good." Mr. Lambert (inspector) was of the opinion that "the intellectual education of the children in workhouses is better than that of the same class out of the workhouses." Mr. Senior says, "I have always felt that the scholastic education in workhouses was not only good, but probably too good." The number of children (three to fourteen years) in 1871 attending workhouse schools was 34,837; in district schools, 4,705; the total was 2,032 less

point of this improvement was the payment of the salaries of teachers out of the Parliamentary grant, and the consequent examination of workhouse schools by the inspectors of the Committee of the Council on Education. All the witnesses concur in attributing to these measures the great change for the better which since that time appears to have taken place in the condition of the workhouse schools. . . . The Parliamentary grant has been beneficial; it has very much improved the children in all the workhouses, and it has given a very superior class of teachers to those who existed under the former system, before that grant was made. . . . The effect of the change was shown by:—

(*a*) The improved intellectual education of the children;
(*b*) Their improved industrial training;
(*c*) The success of the board of guardians in placing the children out in service.

On these points there did not exist any difference of opinion among the witnesses who were examined by us."

POLICE GRANTS.

The effect of the grants of the quarter (1856) or one-half (1874) of the cost of pay and clothing of the police in the counties and boroughs on the recommendation, with certificate of efficiency, from the Home Office inspectors, may be seen from the following table, compiled from the annual reports of inspectors of constabulary and from judicial statistics:—

	1857.	1860.	1865.	1870.	1875.	1880.	1885.	1890.
Boroughs, cities, counties, receiving no grants .	120	78	59	56	38	32	25	0

"This table is of little value until this fact is added, that the standard of efficiency has been raised year by year."[1] Incessant criticism, combined with the threatened withdrawal

than in 1870 owing to (*a*) the extension of the boarding out system, and (*b*) emigration of considerable numbers of children to Canada. The central grant to Poor Law teachers in 1871 was £36,778.

[1] See Goodnow, "Municipal Problems," p. 125, whence the table is taken.

of the grant (which has seldom in recent years been actually carried to the extreme) has been sufficient to create and maintain efficiency and adequacy in the police forces, without the necessity of legal proceedings by *mandamus* or in any other manner. The adequacy of police protection must, of course, vary with local conditions, but it may perhaps be progressively illustrated by the fact that whereas in 1856 the proportion of the population to the numerical strength of the police forces was 1784 to one constable, in 1893 that ratio had decreased to 971 to one constable; while in the interval the population had increased 46 per cent., the numbers of the police had gone up 168 per cent.[1]

EDUCATION GRANTS.

In the administration of the early grants in aid of education the Committee of the Council, which had been formed in 1839 "to superintend the application of any sums voted for the purpose of promoting public education," were, from the circumstances under which such facilities as then existed had developed, bound to proceed in a very piecemeal and tentative fashion. The denominational system was firmly rooted, proprietary rights in educational establishments were jealously guarded, and the direct intervention of the State was met in many quarters by open opposition or passive resistance. The strength of the support of the voluntary principle may be estimated by two circumstances which arose at the commencement of the Council's work. Among the defects of the old system the most obvious were "the insufficient number of

[1] The County Constabulary Act of 1839 had prescribed a proportion of one policeman to 1,000 of population. The numbers of the police forces for more recent years are:—

	England and Wales.	Scotland.	Ireland.
1895	39,176	4,583	13,187
1900	41,996	4,911	12,320
1905	45,202	5,356	11,341
1908	47,342	5,575	11,519

qualified and competent teachers, imperfect methods in teaching, the absence of any sufficient inspection or examination, and the want of a model school."[1] To remedy the last mentioned, the Committee of the Council, which met for the first time on June 3rd, 1839, were unanimously in favour of the erection of a normal school "under the direction of the State, and not placed under the management of any voluntary society." Yet this proposal, admirable and far-sighted as it was, was of too revolutionary a character to meet with support. In its place the Committee were induced to substitute a series of grants towards the cost of building of training colleges of a strictly denominational type. In the first ten years (1839—48) seventeen of such colleges, which owed their origin to the zeal of religious societies or individuals, were either founded, or enlarged, or assisted by special building grants from the Council.

With regard to the ordinary schools the Council almost from the beginning laid down three leading principles, to which they rigidly adhered.[2] The right of inspection was demanded in all cases where applications for grants were considered. These applications were to be made through the inspectors whom they had appointed, or through the officials of the National Society, or of the British and Foreign Schools Society. As a general rule, if the school were not in connection with one or other of these societies, the application would not be entertained.

The instructions to inspectors, issued in August, 1840, show the spirit in which the Government desired the newly-applied method of inspectability to be enforced. The officers of the central authority were to devote themselves to the encouragement of local effort: inspection was "not intended as a means of exercising control, but of affording assistance."[3] Almost as a necessary corollary of this function of the

[1] See Report of Administration of Education Grants (1832—58), S. P., Vol. 35 of 1888, pp. 3 *sq*. For history of later grants and distribution of cost of elementary education in the period 1870—95, see Board of Education Special Reports (Sadler), Vol. I.

[2] Minute of the Council, September 24th, 1839.

[3] S. P., Vol. 35 (1888), p. 6.

inspectorate, the appointments of inspectors were at first made with the concurrence and approval of the archbishops or the authorities of the religious societies. It was "considered desirable that while the State took cognisance"—as it did till 1870—"of religious as well as secular education that H.M. Inspectors should enjoy the confidence of the religious bodies with whom their work was connected."[1]

In these early years it is curious to notice, however, how, while the Council set itself to encourage all voluntary efforts, and to guide and develop those efforts by exercising a judicious centralised influence, and to work only through the recognised societies and methods, they were occasionally compelled to yield to the actual needs of the time which broke down strict adherence to rule. We find in 1840 grants beginning occasionally to be given where great deficiencies were felt in poor and populous places, generally the manufacturing areas, without any connection with the two official philanthropic bodies.[2]

The years 1846 and 1847 marked an important change in the policy of administering the grants. Hitherto, aid had only been given for the erection and equipment of the schools; now attention was given to the *personnel* of the staff and the management. By three important minutes the Council determined to extend their grants to further augmentation of the teachers' salaries, "conditional on their zeal and success," and for the payment of stipends to pupil teachers. Power was taken to facilitate the retirement of old teachers by grant of small pensions; and a "management clause" was drafted for insertion in all trust deeds of schools in receipt of central aid, for the purpose of laicising the management and securing for all subscribers their due share in the control of the schools to which they contributed.[3]

The total of these building grants in the period 1833—46 was £955,365, which represented on an average £120 per school of those assisted. That there was very considerable

[1] *Ibid.*

[2] Minute of Council of December 3rd, 1840. These grants were increased in number and amount in 1843.

[3] Minutes of August and December, 1846, and of June, 1847.

aversion to any central control is seen from the fact that of the schools erected at this time 3,200 were built with aid from grants, and 1,300 without State assistance. Nor did this antagonism to outside interference die down easily. Ten years later, in 1858, the total number of schools under inspection was only 6,897, while there were 15,952 which controlled and supported themselves. "While some of the uninspected schools were undoubtedly good, yet many of them were in a deplorable condition."[1] From the reports of the inspectors it may be found that in one case "the school was held in a miserable room over the stable"; in another, "in a dark miserable den under the town hall"; in another, "in a ruinous hovel of the most squalid and miserable character"; and many such instances might be quoted. The quality of the instruction was what might be expected in such surroundings; the curriculum was limited in village schools to a little practice in the "three R's," with a modicum of religious instruction; the teachers themselves were often unable to read and write correctly. It is surprising, looked at from a present-day standpoint, how slowly the public mind recognised the utter inadequacy of the voluntary unaided system to cope with the task of setting up sufficient facilities for instruction throughout the country.

Hitherto there had been no payments from the central authority towards the annual income of the schools, except those allocated specifically to building and to equipment of certain kinds, and for augmenting the teachers' salaries. A new principle was, however, brought into play in 1853. On condition of the scholars making a fixed number of attendances in the agricultural districts and in unincorporated towns of under 5,000 inhabitants, a capitation grant should be paid to the school funds.[2] This minute was issued by the Council to take the place of a Bill, rejected by Parliament, by which Lord John Russell had sought to procure aid out of the rates for schools in corporate towns. These

[1] S. P., Vol. 35 (1888), p. 8. For an independent opinion of general education at this period, see Mill's "Principles," p. 613.
[2] Minute of April 2nd, 1853.

capitation grants, which thus became an integral part of the system, served a varied purpose. They increased largely the amount of State aid, they put a premium on regularity of attendance, and they acted as an inducement to the teachers and managers to discourage the early leaving of school, which at this period, as in former years, had been a marked and unfortunate characteristic of school experience.[1]

The Royal Commission, which had sat, under the presidency of the Duke of Newcastle, for three years, presented its report in March, 1861, containing two recommendations: (*a*) That a national grant should be paid out of general taxation in consideration of the fulfilment of certain conditions by the managers of schools in respect of accommodation, ventilation, etc.; the inspectors to see to compliance with the regulations.[2] (*b*) That grants should be paid out of county rates, in consideration of the attainment of a certain degree of knowledge imparted during the year; the inspectors to attest the existence of it.[3]

The second proposal came to nothing. Instead, the Government, in the Revised Code of 1862, abolished all payments to individual teachers, and consolidated all the payments to each school (as distinct from building grants) into a single capitation grant, payable to the managers, and based mainly on the results of attendance at school and the results of annual individual examination of the children.

[1] At the conference in London in 1857, presided over by the late Prince Consort, it had been pointed out, and was generally admitted, that the chief evil was "not so much the want of schools as the bad attendance of the children, many never coming at all, and others being removed at nine or ten years of age."

[2] See S. P., Vol. 35 (1888), pp. 12 *sq.*

[3] The "Education of the Poor Bill," introduced in 1867 by Mr. Bruce, Mr. W. E. Forster, and Mr. Algernon Egerton, had "suggested District Committees, elected by the Town Council (or by the ratepayers in other than municipal areas); gave power to such committees to levy rates for educational purposes; recognised existing schools, the future ones only to be supplemental; provided for transference on fair terms; enforced a Conscience Clause." Mr. Lowe "would have given power to the Privy Council or to a Secretary of State to make a compulsory rate where there was no school at all, or insufficient accommodation." Edinburgh Speech of November, 1867.

This system of "payment by results" formed the backbone of Mr. Lowe's Revised Code, with which he inaugurated a system of educational administration, which "if not efficient should at least be cheap." That the latter claim was justified in the following years may be seen when it is remembered that while in the years 1860—5 the average attendance rose from 803,000 to 1,048,000, the total Parliamentary grants allocated fell from £724,403 to £649,307. Supporters of the new order asserted that the decreased grants were not, however, due to any falling off in the education given, but were simply due to the fact that under the previous arrangements the inspector had no option between allowing the full grants or none, and that many inspectors had declined the responsibility of advocating extreme penalties; the new scheme would automatically register any improvement or deterioration, and that in any case, now that the required stimulus to increased efficiency was in full play, the pecuniary loss in most instances would be temporary. Opponents as loudly protested against the restriction of the curriculum and the cheapening of the staff and organisation which had resulted from the decline in revenue. The bitter discussions which this new policy provoked, combined with the fact that since 1856 the Vice-President, who was responsible to Parliament for the distribution of the grants, had been subject to Parliamentary criticism, rapidly familiarised the public mind with ideas which were to take a prominent place in the legislation of 1870, which is associated with the name of Mr. W. E. Forster.

"In setting forth the urgent necessity of a measure"—which should increase the powers of initiative and intervention possessed by the Privy Council for ascertaining the need and compelling the supply of education throughout the country—Mr. Forster estimated "that the existing provision for effective elementary education in England included some one and a half million scholars on the books of eleven thousand State-aided schools, of whom one million were in average attendance. . . ."[1]

[1] S. P., Vol. 35 (1888), p. 22.

"Outside the range of any educational institution of guaranteed efficiency, there were not less than one million children between the ages of six and ten, and half a million between ten and twelve years."

With the discussions on the Bill and the many changes which were introduced in its passage through both Houses, we are here not concerned; nor need special mention be made of the religious controversies which accompanied the debates, and which have been even down to the present day an ever-recurring source of bitterness. The financial and administrative elements in the Bill, which received royal assent on August 9th, 1870, alone, in the present connection, must be briefly noted.

Three guiding principles were laid down in the Act. "There was to be in each school district an elected authority for elementary education, but only where the supply of such education by voluntary effort was inadequate. A local rate was to be levied, but only where there was a school board. Attendance was to be compulsory, but only where the school boards chose to make bye-laws to that effect."[1] The remaining chief sections of financial and administrative interest may be summarised thus:—

Section 57 extended from thirty to fifty years the term within which school boards might repay loans; it further required the recommendation of the Education Department for loans to be made to the school boards by the Public Works Loans Commissioners, and fixed the interest on such loans at 3½ per cent.[2]

Section 58 gave power to the London School Board to borrow from the Metropolitan Board of Works.

Section 60 provided that accounts of school boards should be audited by Poor Law auditors (and not, as at first proposed, by the auditors appointed by the Education Department).

Section 66 gave powers to the department to dissolve a school board in default, and to order a new election.

[1] Percy Ashley, "Local and Central Government," p. 62.

[2] See Report of Commission on Education, S. P., Vol. 35 (1888), p. 22.

Section 96 prescribed, first, that no grants should be made to schools which were not public elementary schools after March 31st, 1871; second, that no building grants should be allowed in any case unless application were made before December 31st, 1870.[1]

Section 97 laid it down that no grants should be made in excess of the income of the school from voluntary subscriptions, plus fees, plus all other sources. It further reduced the special grant made to "poor and populous places"; and finally required Parliamentary sanction for any new minutes of the department.

Minor provisions of the Act were:—

(1) Inspection was henceforward to be entirely disconnected from all considerations of religion.

(2) The school boards were given power to delegate any of their functions, except that of levying a rate, to local managers.

(3) They were further empowered (clause 25) to remit fees to poor parents in board schools, or pay those of such parents who sent their children to voluntary schools.

The latter provision led to a general outcry on the part of those who regarded this as a possible means of adding to the endowments of the denominational schools, and was repealed six years later, when the duty of paying such fees was imposed (if they were satisfied that the need existed) on the boards of guardians.[2]

It is worthy of notice that by this Act a new feature was introduced into the character of the Educational Codes. Prior to 1870 the Codes were merely a tabulation of the minutes of a department, setting forth the conditions on

[1] As a consequence, 3,342 applications from voluntary schools to get the last building grant were received by the department between the date of the royal assent and the end of the year. Of these 376 were refused, 1,333 withdrawn, 1,633 obtained grants to the total of about a quarter of a million. By this means an additional 216,000 school places were provided at an additional cost from voluntary subscriptions of about £1,000,000. These grants, for building purposes alone, which had then appeared in the Parliamentary returns for about fifty years, finally disappeared in the early eighties.

[2] By Lord Sandon's Act (1876).

which the Parliamentary grants were distributed. The 1870 Act stipulated that each successive Code should be "laid on the table of both Houses" for a month before it came into operation—which it did automatically, if no opposition —as was usually the case—was raised. Section 97 of the Act provided that a public elementary school must satisfy the conditions of the Annual Code of Minutes last presented to Parliament. Hence every Code since that time becomes in effect an addition to the education law, until a new one takes its place.

"It might at first sight appear that under the form of Instructions to Inspectors [1] the Education Department could in fact modify the statutory regulations which govern the administration of the grant. But since the Code requires managers of schools to furnish themselves with a copy of the revised instructions for each year, which are, moreover, presented to Parliament, the department practically challenges the most jealous inquiry into the good faith with which it adheres to the letter and the spirit of the Code in the directions it gives to its inspectors."

[1] Report of Commission on Education, S. P., Vol. 35 (1888), p. 36.

CHAPTER V.

English Grants.

Third Period, 1874—1896.

The most eventful period which English local finance has yet experienced is the one we have now to consider—the period from 1874 to 1896. During that interval the burden of the old rates greatly increased, especially in urban areas; new charges in respect of education and sanitation fell mainly on the same districts; the agitation of the over-burdened town-dwellers who had thrown in their lot with the "agricultural interests" grew more persistent; the relief granted from the Exchequer by transfer of services or subventions in aid enormously increased, and the complexity of national and local finance became correspondingly more intricate and involved. From an administrative standpoint the problem of local control was modified during the period by the extension of the democratic principle to county and district government; politically, the situation had been affected by the results of the improvement in popular education and by extensions of the franchise; economically, the distribution of burdens had become more difficult of solution owing to the decline in agricultural prosperity on the one hand, and on the other to the rise of essentially town problems, which confronted the urban authorities in municipal, sanitary, and educational affairs.[1]

While almost continuous discussion of the reform of local

[1] In 1879 a Royal Commission, under the presidency of the Duke of Richmond, had inquired into the causes of agricultural depression. The proposals of their final report were: (*a*) that the maintenance of indoor paupers should be paid out of the Consolidated Fund, (*b*) that certain taxes, or a proportion of them should be assigned to the local authorities, and (*c*) that, subject to existing contracts, rates should be equally divided between owner and occupier. See C. 3309 of 1882.

government and taxation was carried on, both in Parliament and country, the remedial proposals which were actually carried into effect in the early years were confined to the administration of the prisons, the costs of main and disturnpiked roads, and one or two minor items provoked by recent enactments.[1] The greater portion of the period was occupied by the agitation which culminated in Mr. Goschen's revolutionary measures of 1888 and 1890, to be followed by further changes in 1896. We have seen already that Mr. Disraeli's Government had made substantial remissions in relief of the administrative charges for police and pauper lunatics in 1874. Three years later, they proceeded to relieve still further the local authorities from the obligation which they had been under for the provision of prison accommodation in counties and boroughs for prisoners awaiting trial and short-sentence prisoners—convict prisoners' maintenance and penal establishments always had been provided by the Central Exchequer. At this time there were 113 county, borough, and "liberty" prisons under the general control of the Home Office and the local justices. By the Prisons Act of 1867 the central authority had obtained greatly increased powers of regulation, and its criticism was strengthened often by the threatened withdrawal of the grant for maintenance of convicted prisoners.[2] Much local dissatisfaction had been created by the considerable limitation which had ensued of the justices' powers and privileges. On the other hand, the central authority contended that "while the justices had most admirably performed the duties which had devolved upon them by statute, yet, being totally separate and independent bodies, they had no means of knowing what was going on in those

[1] For early history of the old common gaols of the county, the ancient borough, town, and liberty gaols, and houses of correction, see Dowell, II., p. 516, "History of Taxation in England." The old houses of correction compulsorily provided in each county since 1609 (7 Jac. I. c. 4), had gradually become similar in use to the county and borough gaols, and the distinction between them was abolished practically by the Prisons Act of 1867.

[2] See 3 Hansard, Vol. 210, pp. 1344, 1345. For Mr. Chamberlain's attitude on the subject, see 3 Hansard, Vol. 232, p. 436.

parts of the country over which they had no jurisdiction, and therefore there were no means of insuring uniformity of discipline in the gaols."[1] By the suppression of unnecessary prisons and by uniformity of management, it was anticipated that the total cost, which had been about £500,000 (of which one-fifth already was paid out of the Consolidated Fund for maintenance of prisoners, the remaining four-fifths coming out of the rates), might be considerably reduced. The increase of liability of the central authority on account of the transfer was estimated at £279,000.

The following year (1878) a Highways Act was passed which placed half the cost of disturnpiked roads on the county, the other half being paid by the districts and parishes through which the roads ran. By the abolition of the turnpike trusts, a very considerable burden of maintenance had led to a substantial augmentation of the highway rates, and the contributory districts and parishes declaimed against what was, they considered, a manifest injustice, which had not been removed even by throwing one-half of the cost on the county funds. In the early part of Mr. Gladstone's second administration (1880—5) the country members moved for "an adequate increase of contributions from general taxation." While in opposition Mr. Gladstone had advocated readjustments of local finance, and a comprehensive measure for the establishment of county boards. In his first Budget speech he regretted that both these proposals had perforce been abandoned; in their place he suggested an increase of the carriage duty, which, however, met the same fate.[2] But in 1882 a vote of £250,000 was passed to enable the Government to further assist the parishes and districts, to the extent of half the county's contribution towards the maintenance of those roads which had been disturnpiked since 1870, or those to which the

[1] 3 Hansard, Vol. 232, February 9th, 1877, p. 453.

[2] By raising the carriage licences about 50 per cent., Mr. Gladstone computed an increase from this source of £247,000, which he proposed to hand over to the road authorities.

county had, in their discretion, contributed, although they had been previously disturnpiked.[1] "The effect would be that the parishes and districts through which the 15,000 disturnpiked or main roads passed would be assisted, on the whole, to the extent of three-fourths of their maintenance—one-half from the county rate and one-fourth from the subvention."[2]

In order to understand the repeated agitations which took place during the years 1883—5 for a readjustment of local burdens, the following table taken from Fowler's return of 1893, showing the increase of rates since 1868, is sufficient[3]:—

Local Authorities.	Amounts received from Rates by the various Local Authorities in		
	1868.	1880—1.	1884—5.
Urban:—	£	£	£
(*a*) Metropolitan . .	3,702,833	5,475,576	6,577,785
(*b*) Extra metropolitan .	3,027,154	6,750,278	7,998,766
Urban and rural . . .	8,357,765	8,748,553	9,159,760
Rural	1,415,685	1,933,383	1,930,241
Total . . .	£16,503,437	£22,907,790	£25,666,552

As in the meantime the relief afforded by the central authority, either in the form of transferred services or grants in aid, had risen from £1,146,000 in 1872 to £3,389,000 in 1885, the bearing of the increased subventions on local expenditure, and on the general incidence of taxation for local and national services, bulked largely in the discussions.

On the one side, the advocates of further transference of

[1] See 3 Hansard, Vol. 273, pp. 1575 *sq.*

[2] In 1887 Mr. Goschen in his first Budget made a further grant of £250,000 towards these roads, but it was paid to the county authorities, and was thus a halving of their liabilities, under the Highways and Locomotives Amendment Act of 1878. For the effect of this on the Exchequer contributions of 1888, see Farrer's "Mr. Goschen's Finance," p. 74.

[3] No. 168 of 1893. Table compiled from Table I., App. A., pp. 6—7.

local charges to the national purse maintained that it could not be proved that an increase in the subventions had led to increased extravagance; while on the other, opponents of the grants as stoutly argued that the subventions "gave great help to centralised London control and led to lax expenditure. The requirements of police inspectors and lunacy commissioners often necessitated large expenditure which would never have been tolerated or allowed by the local authorities if they had been left to themselves."[1]

"The cost of the police showed a more rapid increase after the enlarged subvention (of 1874) than before it," and "the lunacy expenditure had increased with extraordinary rapidity."[2]

On the question of relief and the general relations of Imperial and local finance, the two leading authorities, Mr. Goschen and Mr. Gladstone, held at this period very much the same views. Both deprecated the "constant grasping at the Consolidated Fund"[3] as a means by which local taxation might be lightened, both were convinced that the relief did not go finally to the persons most in need of it, both laid down as a condition precedent of any improvement a comprehensive measure of local government, both were in favour of appropriating to local finance "wisely chosen items of taxation."[4]

In the debate on Mr. Pell's motion, in 1883, "that no further delay should be allowed in granting adequate relief to ratepayers in counties and boroughs in respect of national services required of local authorities,"[5] Mr. Goschen pointed out that there were five classes of ratepayers to be considered whose "interests were parallel but not identical"—the owners

[1] See Mr. Pell's Speeches, 3 Hansard, Vol. 278, p. 437; Mr. Albert Grey, *ibid.*, p. 454; Sir C. Dilke, *ibid.*, p. 486. The last named gives figures showing a rise in expenditure of police in counties (1871), £784,000, to £1,000,000 in 1877; in boroughs in 1871, £503,000, in 1877, £733,000. The lunacy grants had risen from £337,000 in 1876 to £412,000 in 1881.

[2] *Ibid.*

[3] 3 Hansard, Vol. 210, p. 1402.

[4] *Ibid.*

[5] 3 Hansard, Vol. 278, pp. 465 *sq.*

in the country, the occupiers in the country, the owners of ground rents in the towns, the builders and owners of houses, and the occupiers of houses.[1] In the towns most of the remissions would, he held, go to the owners of houses and not to the relief of the ratepayers; therefore justice demanded a division of the rates between owners and occupiers. In considering claims on the Consolidated Fund, "which, after all, was only a certain revenue raised by taxation of income and commodities," it was not correct that "what interested the whole nation was a national service; there was nothing local in this sense which was not national."[2] He would prefer to invert the definition, and say that "all that was local work which admitted of being advantageously treated locally, and all that was national work which could not be treated locally. Whatever work they could do locally well and fairly, it was best to do locally in order to relieve the central authorities."

Mr. Gladstone urged that until a complete scheme had been entered upon for the reform of local government, no further relief should be given through the medium of the Consolidated Fund. It was true that the subventions had allowed of the local authorities being "pressed or forced to much augmentation of expenses"; and therein lay his chief objection to the general principle of grants—that they led to waste and over centralisation. "Further," he proceeded, "there is a point which I trust those who sit on this side of the House will never forget in discussing this question, and one with which the right honourable gentleman (Mr. Goschen) is so well acquainted. The transfer of rating charges to the Exchequer, in whatever form it is done, is a question of the transfer from a fund supplied almost entirely by property to a fund supplied, in a very large degree, by labour. I am far from denying that the general contention on which the honourable gentleman (Mr. Pell) proceeds has truth and justice on its side. We have never denied the principle that there is no call of justice to lay the supply of local wants

[1] 3 Hansard, Vol. 278, p. 506.
[2] 3 Hansard, Vol. 278, p. 511.

exclusively on visible property; but this House ought not in the dark to set about to transfer clandestinely from time to time, and piecemeal to hand over to a fund largely supplied by the labour of the country, charges which ought to lie on the property of the country. That is a contention of the utmost importance. Every time we place a grant in aid upon the Consolidated Fund, we commit the offence of laying upon labour a very large proportion of the charge heretofore borne by property."[1]

The motion of Mr. Pell was lost, and an amendment, moved by Mr. Albert Grey, advocating "the transfer to local authorities of the revenue proceeding from particular taxes or portions of taxes" was carried by a very small majority. Renewing the attack the next year (1884), Mr. Pell succeeded in carrying a motion almost identical with the one which, in the preceding year, had been defeated. In spite of these repeated warnings, the Liberal administration neglected to transform mere promises into tangible performances; and when Sir Michael Hicks-Beach moved an amendment to the next Budget Bill (which proposed an alteration in the death duties which would affect real as well as personal property), on the ground that, as acknowledged in the debates of the two preceding years, "further measures of relief were due to ratepayers in respect of local charges imposed on them for national services," the Government were defeated by a majority of 12, and accordingly resigned.[2]

The political turmoil and distraction caused by the fall and accession of two Governments and a General Election, in 1886, prevented any effective attention being given to the question of local taxation in Parliament; a pious resolution, moved by Mr. Thorold Rogers, in favour of halving the burden of the rates between owner and occupier, being the only event chronicled. For London, however, Lord Randolph Churchill procured the abolition of the Coal and Wine Dues which were then, in pursuance of the statute 31 Vict. c. 17, being levied by the City Corporation and the Metropolitan

[1] 3 Hansard, Vol. 278, p. 522.
[2] C. 9528 (1899), p. 18.

Board of Works.[1] The dues were of ancient origin, but the right to levy them had been restricted to a period of twenty-one years on the passage of the above Act, and the time would expire in July, 1889. By means of the revenue thus acquired great schemes of improvement within the metropolitan area had been carried out, but in the opinion of Lord Randolph Churchill, who was then Chancellor of the Exchequer, "the coal duties, which alone were important, were taxes on a prime necessary of life, and operated as a serious hindrance to manufacturing progress in the metropolis," and accordingly the Government declined to support their continuance.[2] A few weeks later he resigned the Chancellorship, and Mr. Goschen became his successor in the Unionist administration of Lord Salisbury.

In his first Budget Mr. Goschen made two minor concessions in favour of the agricultural interests, despite his former trenchant criticism of grants in general and of special grants to the country ratepayers in particular.[3] He defended them as temporary measures pending the production of his complete scheme—though this has not prevented them from having effects which have existed ever since.

The financial proposals were accompanied by a County Councils Bill, the responsibility of which devolved on Mr. Ritchie, as President of the Local Government Board, Mr. Goschen confining himself to the particular province of his office.

The three cardinal features of the new scheme of local finance were: (*a*) the discontinuance of most of the grants in aid; (*b*) the provision of relief to the ratepayers from sources which, as far as possible, should be local in origin and expansive in character; (*c*) the separation of central and local finance.

[1] Sir E. Hamilton's Memorandum, p. 19, C. 9528 of 1899.
[2] *Ibid.*
[3] One of these has been already noticed, viz., the doubling of the grant to the counties for main road maintenance; the other conceded to farmers the choice of being assessed to income tax on actual profits under Schedule D, instead of on the arbitrary basis afforded by Schedule B (one-third of the rent, or, previous to 1894, one-half).

The abolition of the previous system of grants in aid was the only one of the three projects which may be considered as effected as thoroughly as was originally intended. It may be at this point useful to refer the reader to Table I., where the grants are set down in tabular form showing their growth during the half-century they had existed as payments out of the Exchequer, made directly to the local authorities concerned, annually charged on the votes, and subject year by year to Parliamentary criticism and departmental regulations; paid on condition of efficiency of the local service to specific purposes, and in proportion to expenditure on certain objects considered desirable to encourage. As all the grants did not come within the range of the new scheme, the untouched grants are given also.

In place of these Parliamentary grants there were assigned to the local authorities (*a*) a portion of the Imperial revenues which were "to a considerable extent local in their nature," viz., the Excise licences, or, rather, the bulk of them, to which were given in the Act the name of Local Taxation Licences; and (*b*) half the proceeds of the probate duty as then levied.[1]

With regard to the latter, as we have already seen, Mr. Goschen had repeatedly drawn attention to the desirability of making personalty contribute to local burdens. He had favoured the idea of a local income tax, in the form of an addition to the Imperial income tax for local purposes, which might be collected by the central authority and handed over to the local authorities in place of the inhabited house duty, which, unlike the income tax, admitted of local levy and collection. This idea he had since discarded; instead, by a rearrangement of the death duties, he endeavoured to place realty and personalty on an equality as far as Imperial purposes were concerned, and then handed over one-half the proceeds of the probate duty[2] "as a contribution from

[1] See 3 Hansard, Vol. 324, pp. 268 *sq.*

[2] In 1894, when the probate duty was abolished, a corresponding sum was granted out of the estate duty derived from personal property by Act 57 & 58 Vict. c. 30, s. 19.

personalty in aid of local rates. It was claimed that, in this manner, the contribution of the two classes of property to the general revenue of the country was practically equalised, and that a contribution was secured from personal property in aid of local rates."[1]

To emphasise the local character of the licences transferred, Mr. Goschen originally intended not only that they should be collected by the local authorities, but that, in those particular licences where uniformity throughout the country was not absolutely essential, a margin should be allowed within which those local bodies might at their discretion increase the tax.[2] Neither of these suggestions has been adopted in practice. Another proposal to grant additional licences on (*a*) horses and racehorses, and (*b*) carts and wheels, was dropped, owing to the violent opposition with which the suggested imposition was assailed.

Both these portions of the Imperial revenues which were assigned to local purposes were growing, and it was hoped that their automatic increase would enable the local authorities to meet their heavier burdens without having constant recourse to agitation for more extensive drafts from the Exchequer.

However, as an ironical commentary on these aspirations after finality, two years later, in 1890, there were imposed surtaxes on beer and spirits (3*d.* a barrel on beer and 6*d.* a gallon on spirits) as compensation for the two licence duties which had been compulsorily abandoned, and in order to meet the demand which had meanwhile arisen for police

[1] Memorandum by Sir E. Hamilton and Sir Geo. Murray, p. 113; Final Report, Local Taxation Commission, p. 114. "Even more destructive to Mr. Goschen's plan was the passing of the Finance Act of 1894; for this measure imposed a uniform system of death duties on personalty and realty alike, while out of the proceeds a sum was paid over to the local taxation account equivalent to what it had received under the arrangement of 1888. Under that arrangement, personalty paid its proper share of the equalised death duties for Imperial purposes plus a special tax of $1\frac{1}{2}$ per cent. for local purposes. Under the arrangement of 1894 it pays simply its share of the equalised death duties, and the contribution in aid of local rates can no longer be identified as a contribution by personalty. It is simply a grant out of the general revenue of the country."

[2] See Hansard, Vol. 324, p. 288.

superannuation. In addition to the appropriation for the latter purpose, it was at first intended that a further deduction should be made from the yield of the surtaxes for the purpose of effecting a reduction in the number of licensed houses. This proposition fell through, and the final distribution and application of these duties were provided for by the Local Taxation (Customs and Excise) Act, which stipulated that £300,000 for police superannuation should first be deducted from the English share (half for the metropolitan police, and half for the forces of the counties and boroughs), and that the remainder "should be distributed in the same manner as the probate duty, subject as between counties and county boroughs to adjustments by the Local Government Act Commissioners."

The third leading feature of the new system, the attempted total separation of local from Imperial finance, had arisen from the fact that as the old Parliamentary grants appeared both as national and also as local expenditure a large and growing sum of public money appeared twice in the accounts. It was difficult, therefore, to present an aggregate expenditure. To add the local and national expenditure together was obviously misleading. To put an end to this complicated confusion, a reservoir was instituted in the form of a Local Taxation Account at the Bank of England, into which the assigned revenues should be paid by the Revenue Boards without going into the Exchequer or appearing in the national accounts. The local taxation account was to be operated upon by the Local Government Board for the purpose of controlling the outflow to the counties and county boroughs, the latter bodies being required to constitute for themselves Exchequer contribution accounts into which the funds as directed by the Local Government Board flowed.

Four questions arise immediately out of a consideration of the outflow of the assigned revenues from the local taxation account: (1) On what basis was a first division made as between the component countries of the United Kingdom? (2) How, in England, was the allocation to be made to the counties and county boroughs? (3) What charges were

laid on the sums assigned? (4) To what purposes might the residue be applied?

With regard to the two first questions, it was determined that in the case of the licences, the council of each administrative county and county borough should receive the proceeds of the licences collected in its own area; but the proceeds of the probate duty and the surtaxes were to be divided as between the three countries in the proportion in which they were then computed to be contributory to the general revenue, viz., England 80 per cent., Scotland 11 per cent., and Ireland 9 per cent.

The English counties and county boroughs were to receive amounts proportioned to the discontinued grants received by them in 1887—8, the adjustment, as between the county and county boroughs, if any, in its area, being in the first instance entrusted to commissioners appointed under the Act, and in later times arrived at by special agreement, or arbitration on the general lines of a fixed sum equivalent to the old grants, and the rest in proportion to rateable value.

The working of this arrangement, which existed till the Finance Acts of 1907 and 1908, and the answers to the third and fourth queries involve an enumeration of the income and outgoings of the various authorities concerned.

The Local Government Board controlled the local taxation account, and all moneys placed to the credit of that account by the revenue authorities passed out of it on order of the Board.[1]

From the 80 per cent. which was the English share—[2]

First, it handed over to the police authorities the sum (£300,000) specially charged on the beer and spirit surtaxes

[1] In 1890, by the Contagious Diseases (Animals) (Pleuro-pneumonia) Act, further relief was granted to local taxation. Henceforward the Board of Agriculture was responsible for payments made as compensation for the slaughter of infected animals. The Local Government Board was to make good any deficiency in the Board of Agriculture's accounts under this head by making the necessary deductions from the proceeds of the probate duty.

[2] See Report by Sir E. Hamilton and Sir Geo. Murray in Final Report of Royal Commission on Local Taxation, Cd. 638 (1901), pp. 106 *sq.*

for the superannuation of the police—half to the receiver of the metropolitan police, and half to the other police authorities in England and Wales (except the City of London).

Second, it paid to the receiver of the metropolitan police the amount due for the metropolitan area in respect of maintenance of police. This sum was deducted from what would otherwise be paid to the counties comprised in the metropolitan district, and was equivalent to 4*d.* in the £ on the rateable value of the police district, or four-ninths of the net cost of the police.

Third, it repaid to the Exchequer the half-cost of revising barristers—the other half being borne by the funds of counties and county boroughs.

Fourth, it handed over to the councils of administrative counties and county boroughs—

(*a*) The proceeds of the licences collected in their own areas.

(*b*) The amounts payable, in proportion to the grants prior to 1888, out of the estate duty, and out of the surtaxes after deduction of the first charge of £300,000 for police superannuation. These sums were paid to the Exchequer contribution accounts of the counties and county boroughs.

Now, coming to the counties and county boroughs, various charges were laid specially on their Exchequer contribution accounts.

(1) The largest item was that for extra-metropolitan police—half the cost of pay and clothing. In some of the counties, and in all the county boroughs, this payment consisted of a mere book-keeping transfer from one account of the county or county borough funds to another; but where, in any county, there was a non-county borough, having its own police force, the county council had a variable amount to pay towards the maintenance of that force, viz., one-half the cost of pay and clothing of that force.

(2) Next come grants compulsorily made to the boards of guardians of unions situate within the areas of the counties and county boroughs.

(*a*) The union officers' grant, introduced for the first time in 1888, was a fixed sum, equal to the amount (£968,000), spent by the guardians in the year 1887—8 on the salaries, etc., of officers (including medical officers, for whom grants had previously been paid), and on drugs and medical appliances.

(*b*) The remaining payments were those grants which were discontinued in 1888 as Parliamentary grants, viz., maintenance of pauper lunatics (a varying amount, equivalentto 4*s*. per head per week), Poor Law school teachers' salaries, grants to public vaccinators, and to registrars of births and deaths.

(3) To the sanitary authorities within their areas, the county councils were required to pay half the salaries of medical officers and of inspectors of nuisances (a grant which had been paid as a Parliamentary grant from 1872 to 1888). In the case of a county borough this payment was merely a transfer from its Exchequer contribution account to its sanitary account.

The residue, after these first charges had been met, the local authorities were authorised, but not compelled, to apply wholly or in part to "technical education." In the latter event the remainder was to go in relief of rates generally.

The net effect of these complicated changes was that, subject to deductions for specified amounts, and subject also to a provisional suggestion in favour of the encouragement of technical education, there were transferred for relief of rates from the Exchequer amounts of[1]:—

From licences and probate, £4,805,940, in 1889—90; from licences and probate, £4,968,239, plus £1,040,376, from beer and spirit surtaxes, equal to £6,008,615 in 1890—1; and £5,313,278 from licences and probate, plus £1,115,801, from beer and spirit surtaxes, equal to £6,429,079 in 1891—2.

It is of interest to consider how in the interval, since the last great addition to the national shouldering of local

[1] H. C., 168 (1893), p. xlv. in Chapter on "Parliamentary Subventions," pp. xlii. *sq*.

burdens in the early seventies, the problem of the rates had become accentuated. Where was the burden of local administration the heaviest, and how had the changes, inevitable in a period of general progress, affected comparatively the rural and urban areas? Inasmuch as a great deal of the discussion during the period turned on the question of "hereditary burdens," and the justice of adding the new rates to the old on the same base, it is important to note that a large share of the increase is attributable to the outlay induced by sanitary and educational legislation.

In 1893 Mr. Henry Fowler presented a report (which was, practically, a continuation of the report of Mr. Goschen of 1870) on "local taxation, with especial reference to the proportion of local burdens borne by urban and rural ratepayers and different classes of real property in England and Wales." As a result of his investigation, he arrived at the following conclusions[1]:—

(1) That whereas the rates in the £ levied in rural areas had fallen, owing to (*a*) lower Poor Law expenses, (*b*) disappearance of compulsory church rates since 1868, (*c*) a very general fall in county and highway rates, these reductions had not been materially modified by new levies for educational and sanitary purposes. On the other hand, while the town ratepayers had benefited from the lower precepts for the old purposes, these advantages had been more than counterbalanced by the very decided rise in urban rates, mainly for the above-mentioned two purposes.

(2) That the grants in aid had gone mainly towards the relief of "hereditary burdens" on land.

(3) That the local debt, "which had assumed such dimensions that it could not be left out of account in estimating the burdens imposed on real property," had, in the interval, risen from £60,000,000 in 1868 to £201,000,000 in 1891 (of which London was responsible for forty-one millions, other urban districts for 156 millions, and purely rural areas for four millions).[2]

[1] See H. C. Paper, 168 of 1893.
[2] H. C. 168 of 1893, p. viii.

(4) "As far as local taxation was concerned, the position of landowners had improved since 1868, while the burdens on occupiers of houses had greatly increased."[1]

The increase in the amounts of the rates, which the several classes of local authorities in England and Wales were in receipt of in 1891, as compared with 1868, is given in the report as under[2]:—

Local Authorities.	Rates raised in		Increase.	Decrease.
	1868.	1891.		
	£	£	£	£
Purely urban . .	6,730,000	17,513,000	10,783,000	
Partly urban and partly rural	8,357,000	8,196,000	—	161,000
Purely rural . . .	1,415,000	2,108,000	693,000	
Total of rates .	£16,502,000	£27,817,000		

Total metropolitan rates in 1868 were £3,702,833.
" " " 1891 " £7,929,946.

The great increase in the burdens of metropolitan ratepayers which has been indicated in the foregoing table led to a movement in favour of a system of local subventions, or grants in aid from the richer to the poorer parishes. The resources of the metropolis for improvements and sanitation which Mr. Goschen had twenty years previously described as exhausted had, however, been called upon further by the Education Act of 1870 and the Public Health Acts of 1875 and 1891, and the heavy charges in connection with these purposes pressed unduly on the poorer districts. For educational expenses the sources of revenue had been more or less equitably distributed by making the whole metropolitan area amenable to the precepts of the School Board for London, and in 1894 a wider application of the principle which had been in practice in the case of the Metropolitan

[1] *Ibid.*, p. li.
[2] *Ibid.*, p. xiii.

Common Poor Fund was made for the improvement of sanitary administration. By the Equalisation of Rates Act a fund was to be formed by the London County Council by the calculation of what would be due from each parish in London at the rate of 6*d.* in the £ on its assessable value, and justice was to be done to the poorer parishes by the distribution from this amount of grants to the separate parishes in proportion to their population. The contributions from the wealthier parishes on this calculation being greater than the grant, a special contribution was to be levied on them by the council as part of the general county rate. Where the contribution to the fund would be less than the grant, the difference would be paid out of the fund by the council to the sanitary authority, which was to apply it in defraying their expenditure under the Public Health (London) Act of 1891, the surplus, if any, being devoted to lighting and street expenses.[1]

Reverting to the grants which were left untouched by the new system of assigned revenues it will be seen that they were mainly for elementary education, and for the maintenance of industrial and reformatory schools. In these instances, the administration was partly in the hands of elected authorities and partly in those of private bodies which were recognised as carrying on a work of public utility, and which, while submitting to the supervision and regulations and requirements of the central authorities—the Education

[1] As a result the following sums have been paid over in various years since to the sanitary authorities of the most densely populated areas:—

	£
1895—6	231,590
1901—2	269,427
1905—6	287,013
Highest amounts were paid to:	
Stepney	29,596
Islington	26,951
Camberwell	26,619
Hackney	19,904

The rates levied as contributions to the fund varied from 6*d.* in Holborn (Gray's Inn) to 1*d.* in Hampstead and ¾*d.* in Paddington. Altogether such special precept rates were levied in twenty-seven parishes in 1906: 6*d.* or over in two parishes, 5*d.* in seven, 4*d.* in six, 3*d.* in five, and under 3*d.* in seven parishes.

Department or the Home Office—still received grants direct.[1]

The provision of elementary education had always been a difficult matter to fit in with the general scheme of local taxation. The system had originated as a national service under departmental control, and only became a subject for local taxation when the voluntary resources were found to be insufficient. The early objection to State control had developed after 1870 into an antipathy in many quarters against the transfer of voluntary schools to the school boards. Side by side with the rate-aided and State-aided schools still persisted others dependent on State aid and voluntary subscriptions and fees. The last-mentioned item averaged in 1890 about 10*s*. 4½*d*. per scholar in average attendance. For the purpose of inducing the managers of schools to forego fees, and to add what was considered the logical corollary of making attendance at school compulsory, namely that it should be also free, the Education Act of 1891 made a grant of 10*s*. a year for every child, over three and under fifteen years of age, in average attendance at those public day elementary schools whose managers were willing to abide by the conditions laid down in the Act for the limitation of fees. The great majority of the schools availed themselves of this fee grant—the amount of which for 1892—3 was £1,940,000, and thus throughout England and Wales primary education became almost entirely free.

The rapid development of primary education had since 1870 compelled the sinking of large sums in capital expenditure on the building of schools both by the elective authorities and by the bodies of representative managers. Difficulties in

[1] The first Parliamentary vote for reformatory institutions was passed in 1854; a further grant was added in the public education vote towards industrial schools in 1856. Five years afterwards the grants were united under one vote, which is regulated by 29 & 30 Vict. c. 117 and c. 118, which empowers provisions to be made by the Treasury, and by the local authorities voluntarily, and by magisterial order on parents of the children sent to one of these institutions. The central grant is a capitation grant of about 6*s*. a week for each child in reformatory schools, while for industrial schools it is at the rate of 5*s*. per week in England and 4*s*. 6*d*. in Scotland.

detaching the current costs from those of a more permanent character arise from the fact that sums expended by the voluntary schools under the heads of "provision" and "maintenance" have not been differentiated; and further, a considerable part of the money and loans received from the rating authorities has been spent on industrial schools and other purposes, and not on public elementary schools properly so called.

As a result of this confusion, and recognising the contention that subscriptions and fees are in practice local voluntary sacrifices incurred by persons resident within the localities in lieu of rates, the simplest course to adopt in the attempt to show the distribution of burdens is to divide the total expenditure into two parts: viz., (1) that portion which has been defrayed by the State, (2) that which has been met by, or remains a charge upon, all other sources of income. If this line of differentiation be admitted, it will be seen that while the burden on the Exchequer for educational purposes was rather less than a million in 1871 and equivalent to about one-third of the total expenditure, the State grants had risen to seven millions in 1895, representing roughly one-half of the aggregate cost.[1]

In addition to the various methods of relief hitherto granted by the Imperial Exchequer to the ratepayers of the different local areas a new one was initiated in 1896 under the Agricultural Rates Act, by which a grant was made, nominally from the yield of the estate duty in England on personal property, to provide considerable concessions to the occupiers of "agricultural land."[2] This relief took the form of the payment from the Exchequer of an annual sum equivalent to half the total of the rates levied in respect of

[1] See Table III. in Appendix, and Board of Education Special Reports, "Expenses of Education," 1870—95, in Vol. I.

[2] Section 9 of the Act defines "agricultural land" as "any land used as arable, meadow, or pasture ground only, cottage gardens exceeding a quarter of an acre, market gardens, nurseries, orchards, and allotments." The term does not include land occupied with a house as a park, gardens (other than those previously mentioned), pleasure grounds, land kept mainly or exclusively for purposes of recreation or sport, or land used as a racecourse.

the occupation of such land in the year 1895—6. This sum was to be paid, as a fixed grant, yearly during the period in which the Act was operative—as at first contemplated, five years.[1]

The Act applied to all rates except (1) those to which the occupiers of agricultural land were already assessed on favourable terms, at one-half or less (like the general district rate under which their assessments had only been one-quarter of the rateable value); (2) those levied by Commissioners of Sewers, or for drainage purposes. The first exception had proved a source of substantial benefit in favour of land occupiers, as also had the lighting and watching rates under the Act of 1833, whereby rates levied for these purposes in respect of land and tithes were assessed at one-third only of the full value.

The effect of the Agricultural Rates Act has been that a fixed yearly grant is made amounting to about £1,300,000 from Imperial sources in relief of such ratepayers. The question of relief on account of national services is not here directly raised; the relief is granted from half of all rates, irrespective of origin or destination. Moreover, as the sum is a fixed one, wherever owing to increase of charges the grant from the local taxation account has not been enough to make good the deficiency caused by the exemption of agricultural land from half the burden of the rates, the non-agricultural ratepayers in any area so affected have been bound to make up the difference. A similar exemption, with similar procedure and effects, was granted in 1899 in respect of tithe rent-charges attached to the benefices of the Church of England. Both these grants, it should be noted, go direct to the spending authorities named in the Act: chiefly county councils, county boroughs, boards of guardians and rural district councils; in this respect they differ from the assigned revenues, which passed through the local taxation account into the Exchequer contribution accounts of administrative counties and county boroughs. As might be

[1] In 1899 the rateable value of agricultural land was £24,034,703; the Agricultural Rates Grant was £1,330,915, equivalent to a rate of 1s. 1¼d. in the £.

inferred from their titles, these grants may have done something "to redress the inequalities of the agriculturist and his manufacturing, trading or residential neighbour in the same rating area, yet they have done nothing to rectify the disparity of rates in different rating areas," as may be seen from the accompanying table[1]:—

	Receipts in 1899—1900 (per Inhabitant 1901).		Assessable Value (1899) per Inhabitant (1901).
	From Assigned Revenues of 1888—1890.	From Revenue Assigned by Agricultural Rates Act.	
ADMINISTRATIVE COUNTIES.	*s. d.*	*s. d.*	£ *s. d.*
Rutland	6 8	3 6	7 6 0
Westmoreland	5 7	2 3	6 16 0
Berkshire	6 6	1 3	5 11 0
Cornwall	3 11	2 3	3 5 0
COUNTY BOROUGHS.			
Leeds	2 10	Practically nothing.	3 15 0
West Ham	3 3	"	3 19 0
Leicester	3 0	"	3 15 0
Cardiff	3 5	"	6 5 0
Oldham	2 7	"	3 4 0
Burnley	2 0	"	3 13 0
Barrow-in-Furness	2 10	"	4 0 0
Gateshead	2 4	"	3 0 0
UNIONS.		*s. d.*	
Billesdon	2 9	1 7	9 0 0
Penzance	0 9	0 6	3 2 0
Oldham	0 8	0 0½	3 10 0

With regard to the three unions, the inequalities would be even greater if the sums granted to rural district councils (for the maintenance of highways not sufficiently important to be classed as main or county roads) were added; under that head Billesdon received for the same year a further sum of 2*s.* 8*d.* per head, the rural part of Penzance received 9*d.* per head, and Oldham received nothing.

[1] See report by Sir E. Hamilton and Sir Geo. Murray in Final Report of Royal Commission on Local Taxation, pp. 116 *sq.*

CHAPTER VI.

The Assigned Revenues and Administration.

The experience gained in the years which have elapsed since the inauguration of the system of assigned or intercepted revenues has been more than sufficient to prove that the arrangement of the relations of national and local finance effected by the changes of 1888—96 contained many inherent drawbacks and serious disadvantages, which were not anticipated to their full extent by either the supporters or the opponents of the alterations then made. The positive improvements promised had not been accomplished, while, on the other hand, the actual administration of the scheme had revealed many financial weaknesses and hampering administrative restrictions which were probably suffered so long only because the real working arrangements were so difficult to understand. The cloud of mystery in which the financial relationship of the Central Exchequer to the local bodies had become enveloped might almost be regarded as the first line of defence of the complicated system, the second being the vested interests in the distribution which had meanwhile grown up.

Much of the criticism which has been levelled at Mr. Goschen's scheme applies rather to that scheme as it finally was put into working, and to the extensions and complications since added, than to the policy of assigned revenues in general. The aim of Mr. Goschen, which was to provide local sources of revenue for admittedly local purposes, and to assist services which it is advisable should be locally administered, but in which the nation as a whole has an interest, from the Exchequer, meanwhile keeping local and central funds entirely apart, was "unquestionably founded

on broad and sound principles."[1] But, unfortunately, these objects were not realised.

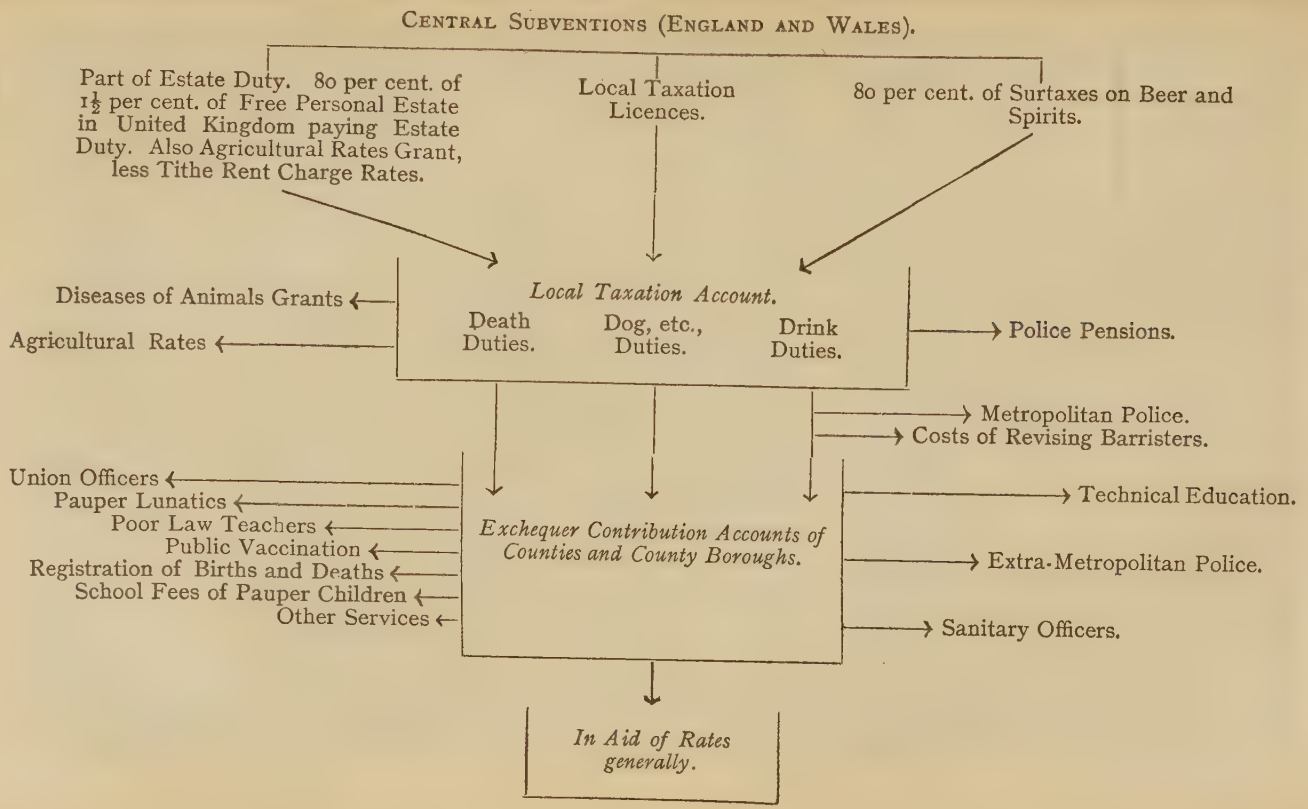
The simplicity and clearness of both national and local accounts, one of the chief ends in view, was certainly not attained; the change only made matters worse. For purposes of comparison with years previous to 1888, to trace the growth of expenditure on any particular service, double statements were necessary inasmuch as part of the yield of certain revenues was brought into the national accounts, the other portion appearing only in the local account. To make confusion worse confounded, the central authority's liabilities in respect of payments in relief of rates which did not appear in the finance accounts so far as they affected England (being met by the revenue which was diverted into the local taxation account), yet did appear, but for a part only, in respect of Scotland and Ireland, for the reason that the corresponding liabilities were charged on the Consolidated Fund. As a consequence, the national accounts failed to show the entire and true expenditure for which the Central Government was responsible.

Just as the term "local taxation account" was a misnomer, part of the funds devoted to local taxation under the Tithe Rent-charges Act[2] never being entered in it—so the Exchequer contribution accounts of the counties and county boroughs did not represent their full allocated proportions of the local taxation account itself—the Local Government Board deducting certain charges for diseases of animals, agricultural rates, and police pensions, the costs of metropolitan police and revising barristers, before the distribution to the local authorities was made.

[1] Final Report, Local Taxation Commissioners, p. 17.

[2] Cf. Local Government Board Report, 1906—7, p. xviii.: "The Tithe Rent-charge (Rates) Act, 1899, provides that one-half of certain rates assessed on the owner of tithe rent-charge attached to a benefice shall be paid by the Commissioners of Inland Revenue out of the sums payable by them to the local taxation account in respect of the estate duty grant. The provision applies to rates to which the Act extends, made after September 15th, 1899, and during the continuance of the Agricultural Rates Act, 1896." The sums paid in this manner have risen from £47,836 in 1899—1900, and £105,687 in 1900—1, to £136,827 in 1906—7.

The following sketch illustrates roughly the general scheme of Local Taxation and Exchequer Contribution Accounts :—


Central Subventions (England and Wales).
Part of Estate Duty. 80 per cent. of 1½ per cent. of Free Personal Estate in United Kingdom paying Estate Duty. Also Agricultural Rates Grant, less Tithe Rent Charge Rates.
Local Taxation Licences.
80 per cent. of Surtaxes on Beer and Spirits.
Local Taxation Account.
Death Duties.
Dog, etc., Duties.
Drink Duties.
Diseases of Animals Grants
Agricultural Rates
Police Pensions.
Metropolitan Police.
Costs of Revising Barristers.
Union Officers
Pauper Lunatics
Poor Law Teachers
Public Vaccination
Registration of Births and Deaths
School Fees of Pauper Children
Other Services
Exchequer Contribution Accounts of Counties and County Boroughs.
Technical Education.
Extra-Metropolitan Police.
Sanitary Officers.
In Aid of Rates generally.

These deductions were nominally made from the proceeds of certain taxes, *e.g.*, diseases of animals and agricultural rates grants from the death duties, and police pensions from the beer and spirit surtaxes. The intention was to prevent the passing and repassing of money between one authority and another; the actual result was that it became exceedingly difficult to trace the course of the assigned revenues.[1]

[1] Modifications of the (1888) financial arrangements, as far as the Treasury is concerned, have been made by the Finance Acts of 1907 and 1908.

Clause 16 (1) of the Finance Act of 1907 provides that "the grants specified in the Second Schedule to this Act shall, instead of being charged in the manner provided by the Acts relating to those grants, be charged on and paid out of the Consolidated Fund or the growing produce thereof, but in the case of grants which are payable during the continuance of any temporary Act only so long as that Act is continued."

(2) "The proceeds of the local taxation (customs and excise) duties, and of the duties on local taxation licences payable under any Act in force at the commencement of this Act into any local taxation account shall, instead of being paid into that account, be paid into the Exchequer, and there shall be paid into any such local taxation account out of the Consolidated Fund or the growing produce thereof a sum equal to the amount which would have been paid into that account as the proceeds of the duties if this Act had not been passed." The Second Schedule (p. 13), names as grants indicated:—

(1) The Estate Duty Grants paid under section 19 of the Finance Act, 1894 (57 & 58 Vict. c. 30), and

(2) The Agricultural Rates Grant paid under section 2 of the Agricultural Rates Act, 1896 (59 & 60 Vict. c. 16), and

(3) The Scottish Agricultural Rates Grant paid under section 3 of the Agricultural Rates, Congested Districts, and Burgh Land Tax Relief (Scotland) Act, 1896 (59 & 60 Vict. c. 37).

Also the Finance Act of 1908, Part III., section 6 (1), provides that—

"The power to levy the duties on local taxation licences to which this section applies shall, as from the date to be fixed by Order in Council under this section, be transferred in England and Wales to County Councils, and section 17 of the Finance Act of 1907 shall, as from the date of the transfer, cease to apply to or in respect of any such duties or the proceeds thereof."

(2) "His Majesty by Order in Council may make provision for the furnishing by County Councils of returns to the Local Government Board as to the amounts levied under the power transferred by this section."

Section (4) "The duties on local taxation licences to which this section applies are the duties on licences to deal in game, licences for dogs, killing game, guns, carriages (including duties charged under sub-section (1) of section 8 of Locomotives on Highways Acts, 1896), armorial bearings, and male servants."

"Provided that if the rate of any such duty be altered, that duty

Moreover, the Exchequer contribution accounts did not show the total relief afforded to the ratepayers by the central government, inasmuch as the assigned revenues themselves were, as we have seen, only designed to meet the deficiency caused by the discontinuance of a portion of the old Parliamentary grants.

As a result of these complications the local authorities are to-day in receipt of aid from the central government, which arrives by one or other of three routes.

(1) Direct from the central Exchequer, without any association with the system of assigned revenues, *e.g.*, the grants for education, for industrial and reformatory schools under the Home Office, and for unemployment, the central authority administering the grants directly and retaining the entire control in its own hands.

(2) Direct from the central government out of the assigned revenues—*e.g.*, grants under the Agricultural Rates Act and for police pensions, of which the former is, as already indicated, a substitute granted to the spending authorities for local revenues derived previous to 1896 from holders of agricultural land, and is practically a fixed amount bearing little relation to present assessment, and in reality a general grant in aid of general expenditure.

(3) From the Exchequer contribution accounts of counties and county boroughs (which receive the remainder of the assigned revenues). These payments are made to the minor authorities in lieu of the discontinued grants on the basis of the amounts received by the same spending authorities in 1888, and are distributed on fixed principles, on a basis more than twenty years old, and in their distribution the central government has retained all control, allowing none to the intermediary bodies, the county and county borough councils, who must perforce hand over to the minor

shall, unless Parliament makes provision to the contrary, cease to be a duty to which this section applies."

Section (5) "The expression 'county' and 'county council' in this section respectively includes a county borough, and the council of a county borough."

authorities the sums to which they are entitled under the Local Government Act of 1888.

The chief supporters of Mr. Goschen were stout advocates of local financial control. Their main complaint against the previous system was that large sums of money were compulsorily raised and expended in the localities, but that over that expenditure the ratepayers and their representatives had only very feeble control. Yet, as the outcome of the change, the local councils have since had even less control and influence over a considerable part of the funds they have had to administer. The cast-iron conditions of the new system had forced the councils of counties and county boroughs to pay over to the subordinate authorities, if any, situated within their areas certain fixed grants, which they could neither refuse nor control, although, as the residue, if any, was to go "in relief of rates generally," it is evident that it was virtually on the county or borough rate revenue funds that these fixed charges were laid.[1]

An estimate of the effect of the assigned revenue system on the finance organisation of the counties and county boroughs may be gathered from the fact that, while in 1896—7 there were paid into the local taxation account sums amounting in the aggregate to over six millions sterling, yet there were paid over to the counties and county boroughs nearly two millions which they were bound to pay to minor authorities beyond their control (for sick and insane, to the guardians; for medical officers, to the public health authorities; for police, to police authorities having their own police; and to the towns and urban councils for technical instruction). About one and three-quarter millions was received by the counties and county boroughs for fixed purposes in their own administration (for technical instruction, police, pauper lunatics, clerks of the peace, and medical officers), the remaining sums being received by them in aid of rates generally.

[1] Cf. Chapter on Grants in Aid in Sidney Webb's "The Break-up of the Poor Law," or Minority Report of Poor Law Commission.

THE POLICE GRANTS.

The "thimble-rig of Exchequer contributions" in aid of the rates and in lieu of the previous annual Parliamentary grants, is well exemplified by "the absurd and eccentric intricacies which have been woven into the police system."

Outside the metropolitan district there are three grades of local police authorities which receive assistance from outside their own areas towards the provision of police forces—the counties, county boroughs, and non-county police boroughs. The two higher grades receive into their Exchequer contribution accounts their shares of the assigned revenues which were fixed in proportion to the discontinued grants of 1888, of which the half cost of pay and clothing of the forces which existed at that date formed part. This proportion, twenty years old, obviously is not affected by the cost of the police now; and as in each county and county borough the Exchequer contribution account does not vary in proportion to its present cost of police, it follows that any increase or decrease in cost must affect only the other contributory portion of the local body's funds, viz., the rates. Accordingly, the counties and county boroughs have to bear the whole brunt of any increase, and get the whole advantage of any decrease in the cost of their police.

"The metropolitan police, instead of half-pay and clothing, get an amount equal to 4*d.* in the £ of the rateable value from the Exchequer contribution accounts of the various counties and county boroughs (but just to add confusion this is paid direct to the Metropolitan Police Commissioner from the Treasury); so that if the Kent parishes in the metropolitan police area rise in rateable value, all Kent suffers. . . . Believers in the continued existence of the Exchequer police grant, which was discontinued in 1888, when confronted with these considerations, sometimes fall back on the fact that the Home Secretary is a sort of bogey-man, who has the power to raise the ghost of the old police grant by 'withholding,' as it is put, half the cost of pay and clothing of the police if he considers a force inefficient. As to this, it

may be remarked—first, that this provision does not exist, and would obviously be absurd so far as the metropolitan police are concerned; secondly, that if the grant is withheld from a non-county borough, it is the administrative county, and not the Exchequer which retains it; and thirdly, that as to the county and county borough police, the words of the Local Government Act, 1888, are, that the county or county borough 'shall forfeit to the Crown and shall pay into Her Majesty's Exchequer' such sum as the Secretary of State certifies to be in his opinion equivalent to one-half of the cost of pay and clothing in the year in which the police were inefficient. If in the next year the county or county borough spend less and have a still more inefficient police force, the fine for that year will be less. How this curious calculation of the amount of the fine for inefficiency can be supposed to keep in existence a grant discontinued fifteen years ago passes comprehension."[1]

As a further result of these unsatisfactory and misleading arrangements a non-county borough may extravagantly increase the cost of its police and the county must pay its half, and have, as a consequence, less to spend on its own immediate purposes. In effect, the value of the police grants as an instrument of efficiency has been subjected to the risk of becoming seriously impaired by the financial adjustments of the system of assigned revenues, while on the other hand there exists no power on the part of the county councils of preventing undue expenditure by the non-county police boroughs.[2]

RECENT EXPENDITURE ON ELEMENTARY EDUCATION.

In England the legislation of the past few years has immensely increased the financial responsibilities of both the central and local authorities in the provision of public

[1] Letter contributed to the "Speaker" (November 29th, 1902) by Professor Cannan, and quoted *in extenso* in Redlich and Hirst, Vol. 2, p. 312.

[2] Cf. Redlich and Hirst, "Local Government," p. 310. Ashley, p. 154.

elementary education. In a previous chapter it was shown that in the first quarter of a century following the Education Act of 1870 the sums contributed from *Rates*, £71,184 in 1871, had risen to £3,987,790 in 1895; and from the *Central Exchequer*, £927,524 in 1871, had risen to £6,963,279 in 1895.

The Education Act of 1902, which made the voluntary schools a charge on the rates, and the insufficient additional grant of about a million and a quarter from the Exchequer which was substituted for the contributions of voluntary subscribers for every purpose except the up-keep of school buildings, has still further added to central and local expenditure. By 1905—6 the amount raised by rates for elementary teaching was £9,250,000, and the Government grants were £10,830,511, made up of £5,723,795, annual grant; £8,160, necessitous school boards' grant; £2,668,546, fee grant; £2,430,010, voluntary schools grant and aid grant.[1] Recent figures are given below[2]:—

	Government Grants.[2]			Charge on Rates.			Proportion borne by Government Grants.		
	1906—7.	1907—8.	1908—9 (estimated)	1906—7.	1907—8.	1908—9 (estimated)	1906—7.	1907—8.	1908—9.
Counties:—	£	£	£	£	£	£	p.c.	p.c.	p.c.
Areas under County Councils	4,449,156	4,311,783	4,330,791	2,791,315	2,867,752	3,182,023	61·4	60·1	57·6
Municipal Boroughs	1,157,024	1,132,918	1,134,628	820,416	861,554	924,407	58·5	56·8	55·1
Urban Districts	775,439	792,606	812,975	668,048	708,569	777,890	53·7	52·8	51·1
County Boroughs	3,361,622	3,300,993	3,298,831	2,942,712	3,083,650	3,235,621	53·3	51·7	50·5
London	1,348,626	1,316,589	1,302,586	2,997,238	2,922,293	3,001,651	31·0	31·1	30·3
	11,091,867	10,854,889	10,879,581	10,219,729	10,443,818	11,121,592	52·1	51·0	49·4

While, of the rate burden, the total steadily rises, there is a marked disproportion between the grants allocated to the country districts and those which are paid over to the

[1] The Aid Grant in 1901 amounted to £825,000.

[2] Taken from L.C.C. Memorandum on Education Grants (1908), No. 1217 (p. 9).

authorities of the more densely populated areas, the average percentage of the grants falling from about 60 per cent. of total receipts in the areas under the control of the county councils of the country to about 30 per cent. in London.

The old elaborately refined grants for efficiency in separate items of the curriculum have been replaced by block grants, not without incidental disadvantages; the more efficient and the less efficient schools have been brought almost to to the same level in the matter of these grants, while "as a general rule, extra efficiency involves extra cost" to the locality.[1]

The Act of 1891, popularly known as the "Free Education" Act was optional, "yet its provisions were adopted almost universally by the school managers. In August, 1893, only 132 schools, out of a total of 9,515 under inspection, had refused the grant: in 1907 the refusals only numbered 73."[2] The fees charged during the three years immediately before the Act of 1891 came into force averaged 10*s.* 4½*d.* per scholar. On the whole the establishment of the fee grant seems, for a while, to have added somewhat to the average income of the schools, for eight years afterwards, in 1899, the fee grants per scholar averaged 10*s.*, and the fees amounted to 1*s.* 0¼*d.*, making a total of 11*s.* 0¼*d.* Since that time, however, the number of scholars paying fees has rapidly diminished. There were only 174,418 in 1906—7, and "it is probable that the sums received from the fee grants are now barely sufficient to make up for the loss in the receipts from fees." The net effect of this Act from a financial standpoint has been to shift part of the burden of school expenditure from the parents to the public purse; incidentally it has had the effect of improving the attendance in many districts, which

[1] L.C.C. Memorandum, p. 2. "Improvements in the standard of instruction involve additional expenditure on the teaching staff, both in the direction of increasing the strength and of obtaining teachers with higher qualifications; and the high standard of efficiency in buildings insisted on by the Board of Education has involved large expenditure": this is particularly the case in London and the large towns where school sites are expensive.

[2] *Ibid.*, p. 3. In 1901—2, 633,226 scholars paid fees.

in turn has entailed heavier local outlay on the provision of enlarged school accommodation.

The already heavy expenditure has also been increased by the introduction of organised games into the school curriculum. The Provision of Meals Act authorised the levying of a ½*d.* rate; and the Education (Administrative Provisions) Act of 1907 imposed as an extra duty the medical inspection of scholars, and gave permission to the local authorities to provide vacation schools and play centres. For these added charges the central authority has hitherto made no additional grants.

Meanwhile, reform of the allocation of the grants is advocated in the direction of encouraging improvements in the general character of the schools, and of relieving the localities more substantially from central funds, and of reducing the present grievous inequalities in the proportions of the burden which rests on different districts.[1] To meet, in part, the last injustice, temporary necessitous areas grants have been revived since 1906 (when the total amount disbursed was £170,873), and graduated in proportion to the rate charges beyond 1*s.* 6*d.* in the £. Exception has been taken to the method of allocation and graduation on grounds of economy and fairness. It is urged that "if expenditure is taken as the basis of grants it would be more prudent, as well as more equitable, to give a smaller proportion of the *whole* expenditure, rather than a high proportion of the expenditure in excess of a certain arbitrary standard." [2]

ROADS.

The Royal Commissioners on Local Taxation, in their Final Report, considered that "the maintenance of main

[1] The rates in the £ for various local education areas in England and Wales in 1908 varied—
(*a*) In areas under county councils from 4½*d.* in Hereford to 1*s.* 6*d.* in Glamorgan.
(*b*) In municipal boroughs from 5*d.* in Lewes, to 1*s.* 11*d.* in Hartlepool.
(*c*) In urban districts from 8*d.* in Radcliffe, to 2*s.* 2*d.* in Tottenham.
(*d*) In county boroughs from 5*d.* in Bournemouth, to 1*s.* 11*d.* in Wolverhampton.

[2] L.C.C. Memorandum, p. 4.

roads is, on the whole, to some extent a national service, and likely to become more so, owing to the increasing mobility of the population and the development of new means of locomotion."[1] They therefore thought that "some authoritative and impartial body should revise the distribution of the main road grant, and decide what roads should be main roads alike in counties and county and quarter session boroughs," and that "one-half of the expense (£2,200,000 in 1899) of the maintenance of these roads" should be paid by the National Exchequer.[2]

In England, as we have already seen, State intervention in the road service has, since its commencement in 1882, been by means of grants in aid to the local highway authorities in respect of the maintenance of disturnpiked and main roads. The first grant was equivalent to one-fourth the cost of maintenance of the previous year, and amounted to £250,000[3]; six years later, in Mr. Goschen's Budget, provision was made whereby this sum was practically doubled. In this year (1888), therefore, one-half of the cost of these roads was borne by Imperial funds, one quarter of such cost being paid by the Treasury to the county authorities, and one quarter to the local highway authorities. This grant ceased to be voted annually by Parliament on the passing of the Local Government Act of 1888, which handed over the administration of the main and disturnpiked roads to the county councils.[4] The amount of the discontinued grant was taken into account for the purposes of distribution of the probate duty grant amongst the counties and county boroughs, but the roads service was excluded from the section (24) of the Act which enumerates the services for which the councils were required to make transfers from their Exchequer contribution accounts.[5]

[1] Final Report, p. 12.
[2] *Ibid.*, p. 29.
[3] See 3 Hansard, Vol. 273, pp. 1575 *sq.*
[4] On the effect of Mr. Goschen's grant to the service of the roads, see Farrer: "Mr. Goschen's Finance," p. 74.
As a consequence the practice of the county councils varies. See Depart. Report, 1903. Q. 72 "The county councils are as a matter of

This tardy and imperfect recognition of the necessity for central control of, and financial contribution to, the service of the roads is in strong contrast to the policy of France and Belgium. While probably the freedom from considerations of military necessity, and certainly the respect for local susceptibilities, have given us a highway system which, so far as its organisation is concerned, stands in urgent need of reform, the Continental States mentioned have proceeded by way of definite classification of their roads according to general, regional, or purely local utility, and handed over the entire administration and financial responsibility to the corresponding authorities—the State, the department or province, and the commune. The roads of almost exclusively local interest and concern are obligatory burdens on the communes, and sustained by service or money payments on the principle that those who derive benefit in increased facilities for local trade, in the lowering of expenses of agricultural pursuits, or in enhanced value given to landed property, should mainly contribute to the costs of local means of communication. These Continental countries have, however, eased local burdens in some measure by spreading the cost of the intermediate roads over the larger areas which they serve, and still more by transferring the whole charge for construction and maintenance of the grand trunk roads from the local authorities to the central Exchequer. In Prussia, although the old State roads were, on the extension of popular government to the provinces in 1875, handed over to the care of the Provincial Assemblies, the State has continuously subsidised substantially the provincial authorities for the upkeep of the means of communication under their control. The Prussian system is thus at present midway between the highly centralised national highway system of

fact receiving now a payment from the State in respect of their main roads, but as it is not particularly earmarked for the purpose of the main roads, it is not everybody who recognises that fact." Q. 77. "The present grant is given to the county councils absolutely unconditionally." Q. 1042. "The Government contributes a certain amount to the cost of main roads, but only a small proportion of that can go to main roads (in Wales)."

France and Belgium and the small-area organisation of England and Wales.[1]

Moreover, in keeping with the State theories of the Continent, the administration of the minor authorities is subject to the strict surveillance and, if necessary, compulsion in the exercise of the powers delegated to them, by the superior authority of the hierarchy in the interest of the State, viewed as a whole. Even in Belgium, where local sentiment is strong, the Provincial Assembly determines the execution of roads which interest several communes, and lays down the proportion of the expense which shall be borne by each, for the purpose of reconciling their respective interests with the more extensive interests of the province and the State.[2] In England and Wales the maintenance of ordinary roads has always been a local duty and responsibility. The "statute labour" enforced by the Act of 1555 (2 & 3 P. & M. c. 8) on every "parochian . . . chargeable in each parish"[3] lingered on to the first part of the nineteenth century, by the side of turnpike tolls and highway rates—levied after assessment by the inhabitants, or elected surveyors, or the justices of the peace, on the tenants and occupiers in each parish.

It will be recollected that Peel, with the intention of

[1] Cf. Ashley, "Local and Central Government," p. 136.

[2] "Comme il ne s'agit plus alors d'un intérêt exclusivement communal, et qu' il ne peut dépendre de l'incurie ou du mauvais vouloir d'une commune d'empêcher des améliorations offrant un caractère d'utilité générale, le législateur a substitué l'autorité provinciale aux administrations des communes intéressées, pour les mésures à prendre à l'effet d'assurer notamment la viabilité des chemins. Cette règle a reçu une large application dans la loi du 10 avril 1841 sur les chemins vicinaux, art. 24 et 27." See "Les Institutions Provinciales et Communales de la Belgique," par Eug. Bernimolin (1891), Vol. 1, p. 205.

Cf. also Departmental Committee's Report, 1903, p. 285 :—

"We consider that . . . there still remain a very remarkable number of authorities on whom falls, directly or indirectly, the responsibility for the condition of the main roads. . . . While we are not prepared to say that the maintenance of roads of purely local importance is a matter of sufficient weight to justify a change of law in face of local sentiment . . . the case, however, of the more important roads of the country is entirely different. Local sentiment should not be allowed to prevail over an effort to secure greater uniformity, efficiency and economy in the maintenance of such roads."

[3] See "History of Local Rates in England," Prof. E. Cannan, p. 8.

allaying agricultural opposition to the inauguration of Free Trade, on the introduction of grants in aid to local authorities, suggested a more extensive formation of highway districts for the more economical and efficient administration of the roads. The general compulsory establishment of highway districts in 1862 provided that the "highways boards' expenses were to be raised by precept to the overseers" of the parishes comprised in the district area; in 1875 the sanitary authorities—the boards of guardians of each union—were invested with the powers, duties, and responsibilities of the control of the highways in their areas, which were in turn handed over to the district authorities set up by the legislation of 1894.

The roads "*other than main roads*" are thus maintained by the district councils out of the rates, assisted in the case of certain roads by grants from the county councils under sec. 11 (10) of the Local Government Act of 1888, which provides that the county authorities "may, if they think fit, contribute towards the cost of the maintenance, repair, enlargement, and improvement of any highway or public footpath in the county, although the same is not a main road." This freedom has been largely exercised in several counties, and as the condition is generally attached to the grant that the road subsidised shall be repaired and maintained to the satisfaction of the county surveyor, the county councils have, in many instances, acquired control over many roads not technically classed as main roads, and known in various districts as "secondary," "contributory," and "grant in aid" roads.

The "main" roads comprise—

(*a*) All roads which have ceased to be turnpike roads since December 31st, 1870, except such as have been prevented from becoming main roads or have been dis-mained by Provisional Order of the Local Government Board (under section 16 of the Highways and Locomotives (Amendment) Act, 1878 or section 4 of the Highways and Bridges Act, 1891).

The Highways and Locomotives (Amendment) Act, 1878,

which first created "main" roads, provided that every road disturnpiked since December, 1870, should be deemed a main road, and *one-half* of the cost of maintenance was thrown upon the county authority. London was expressly excepted from the operation of that Act. By the Local Government Act of 1888 the *entire cost* of maintaining all main roads within the meaning of the Act of 1878 was transferred to the county councils, including that of London. By the London Government Act of 1899 the metropolitan main roads were transferred to the borough councils.

(*b*) All roads which have been declared since 1878 by the county authorities, on the application of the highway authorities,[1] to be main roads by reason of their being mediums of communication between great towns, or thoroughfares to a railway station, "or otherwise," and have not been subsequently dis-mained by Provisional Order of Local Government Board.

The "main" roads are thus of three kinds in each county.

(1) Those maintained by the county council directly out of the funds at their disposal from the county rates and Exchequer contribution accounts, after certain specific payments have been made.

(2) Those maintained by urban authorities who have, in the vast majority of cases, claimed to retain the powers and duties of maintaining their main roads, and to whom the county council is required to make an annual payment, the amount of which is agreed upon between the authorities concerned or on the arbitration of the Local Government Board, towards the cost of "maintenance, repair, and reasonable improvement" of such roads.

(3) Those maintained by urban and rural district councils under contract with the county council.

[1] The highway authorities in England and Wales are: County Councils, 63; County Boroughs, 69; Non-County Boroughs, 250; Urban District Councils, 812; Rural District Councils, 661. Total (excluding London), 1855. In London, the twenty-eight Metropolitan Borough Councils, and the City Corporation are all highway authorities.

Of the main roads outside the areas of urban districts—included under (2)—those of 33 county councils were maintained directly by their own road staff in 1901; 14 county councils repaired their roads indirectly by contracts with the district councils in their area, or in some cases with private contractors; 5 adopted both methods.

In 1906 the total mileage of main roads was 27,556 miles —4,100 in urban and 23,456 in rural districts.

The county councils maintained directly 17,468 miles, at cost to county councils of £1,272,646. Average per mile, £73.

Eight hundred and ten boroughs and urban district councils maintained 3,565 miles, at cost to county councils of £804,548. Average per mile, £226.

Two hundred and twenty out of 670 rural district councils maintained 6,523 miles, at cost to county councils of £451,943. Average per mile, £69.

As a consequence of the number of highway authorities the mileage of main roads in some of them is very small, and the roads cannot be so efficiently or economically managed as those of the larger areas, which justify the employment of better machinery and expert supervision, and for which, by large contracts, mending material may be more cheaply obtained. The want of uniform policy on the part of the counties with regard to the maining of their roads has provoked many complaints of the unjust distribution of burdens as between different districts—in some counties nearly every road of importance is a main road, in others the county authorities have been opposed to "maining," coupled with a more or less liberal use of their powers of contributing to secondary roads. The difficulty as to whether the whole cost, including that of "reasonable improvement," claimed by the urban authorities should be met by the counties, or only a part of it, is constantly recurring. "All such points of friction might be avoided, and the efficiency and economy of the road service might be improved, if the maintenance of all the principal roads in a county were placed under the direct control of a (geographical) county highway board, representative of all the authorities at present having rights and

powers with regard to main roads."[1] "The roads to be scheduled as national roads should be determined," the Commissioners of 1903 thought, "by an authoritative and impartial body, and, as the State would be making a special contribution to them, the national roads should be maintained, subject to central supervision by, perhaps, a department of the Local Government Board, which should give grants in return for a certain minimum standard of efficiency of maintenance."[2]

In view of these projected reforms, it will be of interest in later chapters to examine the methods pursued by the countries of Western Europe we are considering in the management and maintenance of their road services.

POOR LAW GRANTS.

Viewing the present grants in aid from general public funds to the Poor Law authorities for the relief of the poor and other purposes in the light of their history, which has been gradually traced, it is not surprising that during the past two decades complaints of the unsatisfactory working of the existing system have been persistent and widespread. The agitation succeeded in obtaining the appointment of the Royal Commission on the operations of the Poor Law, which is still issuing its many and voluminous reports. As these reports have provoked much discussion, and the subject of Poor Law reform is being largely treated in the public press and elsewhere, a short summary of the present position and the suggestions put forward for improvement is all that it may be advisable to treat here; greater space will thereby be secured for attention to foreign handling of kindred problems, in the hope that profitable sidelights may in that manner be thrown on our own special difficulties.

Reference to the scheme of assigned revenues on p. 97, shows that the boards of guardians in England and Wales are in receipt of five separate grants, in the aggregate amounting to more than 2½ millions, which represents between one-fifth

[1] Departmental Report. S. P., Vol. 24 (1904), p. 288.

[2] *Vide, infra*, p. 117, note.

and one-sixth of their total expenditure on the primary purposes of the Poor Law.[1] These grants are :—

	Amount in 1907–8. £
(1) Fixed grant under Local Government Act, 1888, s. 43 for the Metropolis and s. 26 for other districts	1,350,000
(2) Fixed grant under the Agricultural Rates Act, 1896	461,000
(3) 4*s.* per head per week for lunatics in asylums, etc.	800,000
(4) Towards salaries of teachers in Poor Law schools	25,000
(5) Repayment of school fees of children sent from workhouses to the ordinary schools . .	2,000
	£2,638,000

On grounds of theoretical equity, inasmuch as the number of persons in need of relief varies enormously from district to district, any outside assistance to the Poor Law authority in any area should be inversely proportional to its own resources, and vary directly with its needs; thus for a service the benefit of which is not specially confined to the local area, the greater the real need and the more slender the resources of the area confided to the responsibility of any representative body, the greater should be the aid given from the general Exchequer.

Under existing circumstances, however, "the amount and proportion of relief (of local burdens from the Exchequer) varies enormously from union to union, and bears no relation to policy or relative efficiency and economy" of the responsible authority. Accordingly, while some unions have their local burdens relieved to the extent of less than 1*d.* in the £, others are fortunate enough under the present antiquated allocations to escape otherwise necessary rates of 1*s.* or even 1*s.* 6*d.* For similar reasons some unions find more than one-half of their Poor Law expenditure provided by outside funds, others have to labour under almost the entire burden. As a consequence of varying necessities and still more varying outside aids (which fairness would demand should be arranged so as to counteract the former, as far as is possible), poor rates vary from less than 3*d.* in the £ to more than 2*s.*

[1] Cf. Minority Report, Poor Law Commission, p. 954.

Not only are the present allocations unfair to the local ratepayers, but they are prejudicial to efficient administration, and give little assistance towards guaranteeing sufficient central control to maintain proficiency in the services themselves. The two fixed grants cannot be truly described as having any effect other than the indiscriminate relief of the guardians for meeting general expenditure; by the method of allocation they cannot have any influence as a stimulus towards expenditure of a desirable character rather than any other. Of the larger grants paid under sections 26 and 43 of the Local Government Act of 1888, while it is true that they were "fixed" in proportion to certain specific items of expense (4*d.* per day for each indoor pauper in the London unions on the average of the five years immediately preceding that date, and in the country the total paid in 1887—8 towards salaries and superannuation of Poor Law officers, other than teachers, and costs of medical appliances and drugs), yet the amounts thus definitely allocated in 1888 to each union bear no necessary relation to the present costs under the same heads, and cannot be accurately asserted to be other than general aids towards general expenditure.[1] The agricultural rates grant is also admittedly, in intention and effect, a general grant in relief of holders of agricultural land, and in aid of the aggregate expenditure of the guardians.

The three smaller grants do vary in accordance with the special expenditure on the services to which they are made. But while the grant in repayment of school fees has dwindled almost to vanishing point (it was only £585 in 1905—6), the

[1] Lord Balfour of Burleigh says, p. 82, Final Report: "The largest of the Poor Law grants, that corresponding to the expenditure on union officers in 1887—8 is fixed in amount, and has probably little effect on administrative policy since the guardians receive the payment, no matter whether they spend it upon union officers or not. . . . Moreover, the actual expenditure upon officers is not an efficient test of the real requirements of a union, and consequently as a matter of equity, the distribution of a grant on this basis bears hardly on the backward districts, for, the grant being fixed, no action of theirs, not even the reform of their administration, will secure for them the full amount of the grant to which, under other circumstances, they might have been entitled." Cf. also Final Report (Ireland) Cd. 1068 (1902), p. 25, and Majority Report, Poor Law Commission, p. 129.

others allocated to salaries of teachers in Poor Law schools, and to maintenance of pauper lunatics in asylums have had, and continue to have, harmful effects. The former has undoubtedly retarded the natural and proper tendency to send children to the ordinary schools, and incidentally inflicts punishment on those districts where a more progressive spirit is manifested, since "those unions which send their children to ordinary schools get their education paid for largely out of the Parliamentary education vote, while the special grant for Poor Law teachers remains a charge on county revenues, and a charge which in the metropolis is considerable in amount." The last grant, for the destitute insane, while commendably encouraging in some measure the elimination of lunatics from the general workhouse, inasmuch as the grant is withheld from those retained there, has, owing to the division of authority between the Lunacy and Poor Law authorities, and the insufficiency of the grant per head, failed to achieve its primary object.[1]

Incidentally, too, the actual administrative practice connected with the grant has definitely deterred the guardians from insisting on increased recoveries of costs of maintenance from relatives liable to make contributions. Owing to the arbitrary sum which is fixed, and which does not suit all present circumstances, the guardians prefer to allow such pecuniary arrangements to be made as shall insure the grant being paid to them, although the "stigma of pauperism" may thereby become more widely spread.

It will be remembered that from its first inauguration the system of grants in aid was defended as a necessary and suitable means of inducing the local authorities to pay more regard to the central administrative admonitions and instructions in the interests of greater efficiency and economy. The extent to which the central power of insisting on due regard being given to such desirable ends has degenerated may be

[1] Owing to insufficiency of the rate, this grant of 4*s*. has failed to get the harmless lunatic or village idiot out of the general workhouse; it has simply induced the board of guardians to relieve his destitution. Poor Law Minority Report, p. 956.

gathered from the opinions of the Commissioners who signed the minority report :—

"We have to report that in practically the whole realm of Poor Law expenditure, no use is made of the grants in aid, as a means of affording the much-needed additional strength to the directions of the central authority." . . . With the exception of the teachers' grant, the present sums are useless. The two fixed grants, and the 4s. grant and the school fees grant are in no way dependent on the boards of guardians keeping statutory obligations, let alone minding the criticism of the Local Government Board. A board of guardians may be refusing to build an infirmary, keeping children with older persons, giving or refusing outdoor relief, stinting medical officers in salary or drugs, yet the Local Government Board must watch helplessly a huge grant being paid over without being able to alter it.

"It has become axiomatic that, to insure progress grants in aid should in all cases be made dependent on efficiency of administration. A locality that, to the detriment of efficiency, rebelliously insists on its own autonomy, should, at least, be left to bear its own burdens."[1]

Proposals for a change in the allocation of grants, while admitting their urgent necessity, have taken the form of advocating (1) a return to the old system of making grants only to services which are efficiently administered, and (2) a rearrangement of the grants themselves, so that, without unduly hampering or otherwise adversely affecting national finance, they may bear some definite relation to, and be dependent on, first, the aggregate expenditure, which is centrally recognised as desirable, on the services of certain branches of public assistance; and, secondly, the poverty of the district in charge of the local authority.[2]

[1] Minority Report, p. 958; cf. Majority Report, p. 129.

[2] *Ibid.*, chapter on "Grants in Aid." See also proposals of Lord Balfour of Burleigh, "Separate Recommendations," Final Report Royal Commission on Local Taxation, Cd. 638 (1901), pp. 67—87. *Ibid.*, "Report by Sir E. Hamilton and Sir G. Murray," pp. 91—147. See also Bastable "Public Finance," p. 408.

The problem of bringing institutions for public assistance into harmony with the growing necessities of the community, and the necessary co-relative problem of how these increasing charges shall be met, have had to be faced in other lands than our own. The consideration of foreign attempts to grapple with these modern developments involves to some extent a survey of local taxation and resources abroad, an examination of the Continental point of view with regard to local administration of certain services of wider than strictly local utility, and an estimate of the extent to which the more progressive of the European peoples have allowed the burden of necessary provision for present needs to be thrown on posterity, or have transferred the burden, wholly or in part, from the immediate locality to a wider area, or finally to the central Exchequer.[1]

[1] The latest great increase of the responsibilities of the English central Exchequer is that incurred under the Old Age Pensions Act, 1908. The removal of the pauper disqualification will probably make the scheme a most notable instance of complete transfer of provision for the aged from local to central funds. The total number of persons in receipt of pensions in England and Wales, on December 31st, 1909, was 432,727, and the total amount payable to that date was £5,380,584.

The Commissioners appointed under the Development and Road Improvement Funds Act, 1909, are to make grants and loans out of the Development Fund—to which half a million is allocated for each of the five years 1911-15—for purposes of agricultural and economic improvement. The Road Board, constituted by the same Act, is to make advances by way of grants or loans to the county councils and other highway authorities, for the construction of new roads or improvement of those at present existing. The Board may itself also undertake the construction and maintenance of new roads. The grants and loans are to be subject to such conditions as the Board think fit (9 Edw. 7, c. 47, sec. 8 (5)).

Grants from the Exchequer under the Unemployed Workmen Act, 1905, made to towns of over 50,000 inhabitants, direct by the Local Government Board, amounted in 1908-9 to £220,485 for England and Wales.

CHAPTER VII.

France.

Central and Deconcentrated Control.

As was briefly indicated in the introductory chapter, the attitude of the Continental States towards the relation of national and local services is, mainly from reasons of historical development, in marked contrast to that which obtains at home. In England most of the services at present administered by local authorities were regarded primarily as strictly local in character and interest; and only as experience proved the smaller areas to be unfitted, financially or administratively, to cope with the new circumstances were expedients adopted for redistributing the burdens.

In the case of the prisons and certain branches of judicial administration, which lent themselves to uniform central administration they were wholly transferred to the care of the central government. In other cases relief was sought by extending the area of chargeability and jurisdiction, or by grants from the national Exchequer to the local authorities, who still retained the administration of (*a*) purely local affairs; (*b*) affairs of more general interest and utility.

On the other hand, the Continental method has been to differentiate by legislation strictly between "central" and "local" services—the former consisting of such matters as the central government determined for political, administrative, or financial reasons to retain within its own immediate control; everything else being regarded as "local."

This division would seem in theory to imply the necessity of two distinct sets of authorities for the administration in the various local areas of the two branches so definitely separated.[1] The complexity of administration which this

[1] Cf. Goodnow's "Comparative Administrative Law," p. 267.

would involve (and which exists to some extent in Prussia)[1] has, however, been generally avoided by intrusting to the same local authorities both branches of administration; but, at the same time, marking off very distinctly the spheres in which the public authority is acting, and when it is regarded as exercising powers delegated for convenience by the central government making it subject to stringent control. To achieve and maintain an effective and uniform service in matters of general interest, and prevent local parsimony, such charges are declared "obligatory" and can be insisted on by the superior authority. The close control which is exerted over matters of central interest, is also extended, though in a modified form, and indirectly, to affairs which are mainly and admittedly of only local concern and borne by "optional" expenditure. The purpose of such intervention is to prevent entrenchment on the central domain, and more especially to check any extravagance or new departure which might detrimentally affect the resources of the localities for matters of national interest.

In France two principles of regulation may be seen in

[1] Prussia is divided into	The next subdivision is into	The next is into	The next is into	The last is into
13 Provinces and Berlin.*	35 Regierungsbezirke (Government Districts) and Berlin.	489 Country Kreise (circles), 69 Town Kreise (circles), and Berlin.	Amtsbezirke (Official Districts) and Berlin.	1263 Town Gemeinden (communes), 37,152 Country Gemeinden (communes), 16,591 Gutzbezirke (or manorial estates), and Berlin.

* Berlin has a special administrative organisation.

"The provinces, circles, and communes are areas for the purposes of both central administration and local self-government, and they form bodies corporate; the Government and official districts are areas for central purposes only, and are normally not incorporated." See Ashley's "Local and Central Government," p. 133.

combination.[1] First, there is legislative control of finance both in respect of the kind and amount of taxation which may be raised, up to a uniform maximum applicable to the whole country; second, there is strong deconcentrated control to secure at once the national minimum of efficiency in certain services and allow of local variations in others.

With the principle of legislative determination of subjects of local taxation we are familiar, all English local authorities being practically granted permission to levy rates which are all in effect mere additions to the poor rate;[2] but till quite recently, all our authorities enjoyed legally unfettered freedom in the amount of levy for general purposes. The last measure of local government in England, the Parish Council Act, contains the only provision for statutory restriction of rates for general purposes.

It provides that a parish council may not incur expense which would involve a levy of rates (exclusive of the rates levied under the Adoptive Acts) of more than 3*d*. in the £, without the consent of a parish meeting; and not even then may a higher rate than 6*d*. be levied.[3] This principle of fixing a maximum, which was inserted to check any possible extravagance, is the one almost universally adopted on the Continent for the control of local taxation—the legislature lays down a maximum amount of certain kinds of local taxation beyond which the local authority of any grade may not go except by special authorisation.

In the rates leviable under the Adoptive Acts[4] there is legislative restriction of local rates for specific purposes; this method is also used on the Continent, where, for

[1] Leroy-Beaulieu, p. 779.

[2] Cannan: "History of Local Rates," p. 2.

[3] Local Government Act, 1894, sec. 11 (3); see Redlich and Hirst "English Local Government," Vol. II., p. 196; and Ashley's "Local and Central Government," p. 357.

[4] Museums and Gymnasiums Act (1891), maximum ½*d*. in the £ for each purpose; Public Libraries Acts (1892), maximum 1*d*. (unless removed by Local Act); Education Act (1902), maximum 2*d*. for higher education without consent of Local Government Board; highway rates in rural parishes may not exceed 2*s*. 6*d*. in the £ without the consent of four-fifths of the voters.

certain definite objects, local levies are sanctioned for definite amounts.

In order that the system of administrative control may be followed some account of the organisation at work is necessary. The work of the central administration in France is divided among the eleven ministries of Foreign Affairs, War, Marine, Colonies, Justice, Finance, Interior, Public Works, Commerce and Industry, Public Instruction, and Agriculture; the last six are alone important in a consideration of the administrative and financial relations of the central and local authorities.

The Ministry of the Interior may be generally described as a combination of our own Home Office and the Local Government Board. It is mainly concerned with police, supervision and control of local authorities and all institutions for poor relief, it is the guardian of public health, and has entire charge of the prisons. For Paris, the Minister has a special subordinate, the Prefect of Police, who in functions and relation to the Ministry, and in the area he controls, somewhat resembles the Commissioner of the Metropolitan Police.

The Ministry of Public Works is responsible for the administration of the State roads and railways; it supervises other railways and controls water communications, and a variety of other subjects.

The Ministry for Commerce and Industry is specially charged among other matters with technical education.

The Ministry of Public Instruction controls all three grades of national education, maintains central educational establishments, and supervises art instruction, and the State theatres and museums.

The Ministry of Agriculture promotes agricultural education, information, and legislation, controls the national woods and forests, and undertakes or subsidises irrigation and drainage works.

In intimate relation with the Ministers is the Council of State—at once the centre and the pivot of the whole administrative system of France. This body consists of the Minister

of Justice (President), all other Ministers, thirty-two ordinary paid Councillors (appointed and dismissed by the Chief of the State on the recommendation of the Council of Ministers, which corresponds in functions to the British Cabinet), and nineteen extraordinary unpaid Councillors with administrative experience. It has a subordinate staff of officials, who prepare reports on the subjects for determination. The Council works in five sections of varying composition, each of which commonly decides special subjects allotted to it, or brings up resolutions for the confirmation of the whole Council in the most important matters.[1] Ministers may vote in all general meetings, and would appear from their power of nomination and dismissal to have a perilously preponderant influence which might lead to a "serious wresting of the law to the advantage of the executive."[2] That this is not so, is due partly to the short-lived character of many French Ministries, and partly to the capacity and knowledge of the main body, and also to the strong inherited legal tradition.

The second great central supervising body is that of the Court of Accounts, under whose survey and audit pass the whole of the accounts of national revenue and expenditure, and of the departments and of all communes and public institutions whose revenues annually exceed 30,000 francs. It has legal powers for the production of any evidence, and may penalise and surcharge any officials, and can authorise prosecution. It consists of life members appointed by the President of the Republic, and presents to the Chamber an annual report, which surveys the whole financial administration of both central and local organs of government, and may contain any suggestions for reform.

The most significant of the areas for local government is the department—the remaining three, arrondissement, canton, and commune being, in many respects, mere fractions of the larger area. The Constituent Assembly,

[1] The sections are for (*a*) legislation, justice, and foreign affairs, (*b*) education and home affairs, (*c*) finance, army and navy, (*d*) public works and commerce, (*e*) administrative law. Cf. Berthelemy, p. 127, sq

[2] Ashley, "Local and Central Government," p. 77.

which more or less arbitrarily carved France up into eighty-six departments for administrative convenience, regardless of local traditions and associations, subordinated all the lesser areas to the department, and then subjected the department in turn to the strictest central control. At the head of the department was placed the Prefect, who should be alone responsible for the administration. Considerable modifications in the direction of recognising ancient local privileges of self-government were introduced under the July Monarchy, and again by the Communal Law of 1884, but the Prefect has still a very powerful control over the communes in their general administration, and especially in their finance. For excess of powers, or breach of law or regulation, he may annul the decision of a municipal council, may suspend temporarily any official, even including the mayor; he may suspend the whole council, and, with the approval of the Minister, dissolve it. His "police" authority extends over the whole department; in the communes the mayor manages the local police, but the Prefect may even here interfere if he does not approve the mayor's action. He represents locally all the central ministries, and is responsible for the carrying out, within his area, of all legislative enactments and administrative instructions; within his control comes every matter in which the central government is at all interested, from collection of State taxes and registration to factory regulations and billeting of troops. He is also the sole executive officer of the department regarded as a self-governing corporation, and is legally bound to carry out the instructions of the Departmental Assembly. The spirit in which he works in this connection may, however, be gathered from the fact that he is appointed by the Ministry, is dependent on it, can appeal to it from the local body, and generally does not stay in any one department for any lengthy period. He is, moreover, constantly open to the political influence of deputies exerted on the Ministry of the day, and is generally regarded as the electoral agent of the party in power.

To assist him in his multifarious duties, and as special guardian of the interests of the central government, a Prefectoral Council of three or four lawyers, with administrative qualifications, is also appointed by the Ministry. This body, badly paid, and generally unsatisfactory, has three main branches of work: (*a*) As administrative court of first instance, it settles disputes between the administration and private individuals (chiefly in regard to direct taxes), and deals with cases arising out of the administration of the public roads, works, and health; (*b*) as board of control, it checks and supervises all receivers of public money and authorises prosecutions for malversation or neglect; (*c*) as advisory board, it proffers suggestions to the Prefect in most matters relating to the special sphere of the department and to the exercise of his powers of compulsion or control over the communes and the various institutions of public utility.

The civil personality of the department resides in the Council General, elected by universal suffrage, each canton returning one member. The councillors are elected for six years, one half retiring every third year. They vary in number from seventeen to sixty-seven, and meet ordinarily in two sessions; the first begins on the second Monday after Easter, lasts fifteen days, and is largely occupied with consideration of the supplementary budgets; the second and most important commences on the first Monday after August 15th, and may last a month. During this session the main budget for the year, submitted by the Prefect, is discussed and voted. The Prefect is commonly present at all meetings, except those at which his own accounts are examined. Extraordinary meetings may be held on the instruction of the Ministry, or on the petition of two-thirds of the councillors, at any time.

The council general[1] apportions to each arrondissement in its area the latter's share of the departmental proportion of the direct taxes as voted annually by the Chambers in the Finance Law, and decides finally any claims made by

[1] See Simonet, "Droit Administratif," pp. 304 *sq.*

the arrondissements for reduction of their quota; it votes within the limits allowed by the legislature all additions to the direct contributions necessary for its own services; it manages all departmental property; it confirms the financial arrangements made between the department and the communes by the Prefectoral Council; it exercises a certain control over the communes in matters of additions to local taxes, and changes in boundaries; and exerts an influence on the distribution of the State subventions and grants to public institutions. Finally, it has powers of raising loans, and of making arrangements and contracts extending over a period of years. Political resolutions are expressly forbidden, but the central authority often asks for the councils' opinion of projects of reform.

During the forty-six weeks of the year when the council general is not sitting many of its powers are specifically delegated to a standing committee of its own body, which numbers four to seven members chosen by the council. Taxation and loans are, however, specially reserved to the council. This Departmental Commission receives monthly accounts from the Prefect, checks his administration generally, considers the proposals of his annual budget, and prepares a report on them for the council prior to the annual sessions.

The second administrative area, the arrondissement, has a council of nine members, elected by the cantons by universal suffrage, with a sub-Prefect as executive officer. It does not constitute a corporation, and the most important among its very limited powers is that of distributing among the communes the direct taxes laid by the council-general on the arrondissement. Proposals for the abolition of the arrondissement have hitherto come to naught, owing to the political value for election purposes of the sub-Prefect.

The cantonal division is still less important, and is mainly useful as a judicial and electoral area.

The smallest and oldest units of French local government are the communes, of which there were 36,221 in 1906, varying in population from those with less than fifty

inhabitants to the capital and the great provincial towns. By the Municipal Law of 1884 the mayor occupies on a smaller scale within his circumscription a somewhat analogous position to that of the Prefect in the department.[1] He is at once local representative of the central government and sole executive officer of the communal council. A larger degree of independence in the exercise of his functions, however, arises from the fact that he is not appointed by the State, but directly elected by the council from its own ranks. He serves for four years, and is unpaid; but owing to the scarcity of suitable candidates, repeated re-elections in the rural communes are very common. As personal lieutenants there may be appointed a number of councillors, who are elected with himself; they are his adjoints, and exercise what powers he may choose by decree to entrust to them. The double character of the mayor's position, the mass of central instructions for the carrying out of general laws, and the constant attention necessary for the supervision of all branches of local administration, render the mayor the most heavily burdened of administrators.

The deliberative functions in the commune are exercised by the Municipal Council of ten to thirty-six members, elected by universal suffrage and on party lines. Four ordinary meetings must be held, three lasting for a fortnight, and the budget session, which may continue for six weeks. Extraordinary meetings may also be held by consent of the Prefect. If a recalcitrant council be dissolved by a Ministerial decree, an election of its successor must be immediately held. The council has no administrative statutory committees; it may nominate committees, but they are appointed merely for watching and considering particular questions, with no share in the administration.

The mayor and the council are under the stringent tutelage of the Ministry, acting through the Prefect. All decisions must be reported to him, and his approval is required for every important detail of administration. The budget is perforce submitted to him, and he may in virtue of his

[1] See Acollas, pp. 14 *sq.*, for functions of mayor and council.

office, compel the council to provide for all obligatory expenditure laid by the legislature on the commune; in optional expenses, and for insuring local solvency, he may refuse his approval, which is necessary to render the budget executory.

Legislative control of the finances as a whole is insured by the fact that any local tax can only be levied if it is authorised by a law, and it is only within the limits and conditions of the law that the local authorities have the power of regulating the local taxes.

The finance officers in direct relations with the Finance Minister are (1) Tresoriers—payeurs generaux, one of whom is stationed in the chief city of each department, and is nominated by the Chief of the State. Their functions are (*a*) recovery of the direct contributions, (*b*) centralising of public funds and payment to the Treasury, (*c*) and since the decree of November 21st, 1865, which has re-united the duties of Receiver General and that of Treasury Paymaster, to pay out the expenses of the State.[1] They send monthly accounts to the Cour des Comptes and are responsible for their subordinate officers. (2) Receveurs particuliers des finances. Formerly there was one in each arrondissement, but for some years, for reasons of economy, a considerable number of them have been suppressed. They are responsible to their immediate superiors, the Tresoriers-payeurs generaux, but *not* to the Cour des Comptes. (3) Tax collectors proper (percepteurs); they are in numbers proportionate to the size of the locality, and density of population. They pay in, and are responsible to the Receveurs particuliers, and must give guarantee in accordance with the sums they handle.

The foregoing are responsible for the collection of revenue, and have a legal right to demand all necessary information from all local authorities. The whole service is under the Administration of the Direct Contributions—a direction générale under the Minister of Finance. This administration

[1] For full description of machinery of collection of revenue, see Simonet, "Droit Administratif," pp. 763 *sq*. See also O'Meara, "Municipal Taxation at Home and Abroad," p. 182; Boucard et Jèzé, p. 424.

establishes the rolls of the four direct contributions and assimilated taxes. It is composed of

(1) Director General and two administrators, representing the central government;

(2) Director and one or two inspectors, representing the department; and

(3) One or more comptrollers from each arrondissement.

The collection of the State's share (the "principal") of the four direct contributions and those of the departments and communes (centimes additionnels) is made at the same time.[1] The heading on the avertissement (or demand note) issued to each taxpayer is subdivided thus:—

CONTRIBUTIONS DIRECTES.

Nature, Bases et Détail des Contributions.	Montant des Cotes.	Part	
		de l'État.	du Département et de la Commune.

This far-reaching system of control is rendered the more necessary by the close connection which exists between the sources of central and local revenue. In all three countries we are considering, but especially in France, the general method for the provision of a great proportion of local revenue is by means of additions, voted by the local authorities, to certain State direct taxes. The same bases being used for providing both central and local organs with funds, the superior authority naturally uses all its powers to prevent its own supplies for the discharge of matters of wide-spread interest being unduly restricted. The criterion of direct taxation in this connection is merely the mode of collection, a "direct" tax being one for which the tax-payers are inscribed by name on a register, drawn up and maintained under the surveillance of the central and local taxing authorities, with the basis of assessment and the

[1] The taxes are due monthly and may be paid in any number of twelfths of the year's total according to convenience. The departmental centimes are collected by the State officials gratuitously, but, as compensation, no free balances or interest are credited to the General Councils. The communes pay 3c. per franc as remuneration to percepteurs for collection of their communal share of the direct contributions. See Acollas, p. 52; Boucard, pp. 479 *sq.*

amount.[1] There is no intention in the denomination of such taxes to determine any problems of incidence; the scientific value of the criterion is nil, the division into "direct" and "indirect" taxes resting on a secondary point, namely, the administrative mode of collection.

In France, which during the century has had no income tax, these direct taxes consist of taxes on lands and houses, on doors and windows, and on professions or trades. In the case of the land and window taxes, and the tax on furnished houses, the total amount fixed beforehand by law for the central needs—termed the principal of the tax—is apportioned by the legislature among the higher local areas, which redistribute the necessary proportions among the minor authorities in descending scale, each authority redividing its quota among the smaller areas within its boundaries; thus, the principal is determined annually in the Finance Law and is successively redivided first among the 86 departments,[2] then between the arrondissements in each department, then by the arrondissements among the communes, and lastly, among the taxpayers in proportion to their assessment.

On the other hand, the professional and trade licences are paid on the basis of the tariffs drawn up and established by the legislature, so that the total produce can only be approximately estimated.[3] Practically, therefore, as far as the State

[1] Boucard et Jézé, pp. 244—254.

[2] See Simonet, "Droit Public et Administratif," p. 304. The administrative areas of France are: (*a*) the department, (*b*) arrondissement, (*c*) canton, (*d*) commune. Only the departments (87) and the communes (36,210 in 1906), are of real importance; they are areas both for central administration and local self-government. The cantons and arrondissements are subdivisions for mainly judicial, military, electoral, and (in the case of the latter) for financial purposes; they are not incorporated.

[3] Boucard et Jézé, p. 253; L'impôt de quotité est celui dans lequel la taxe à payer par chaque contribuable, le tant % à réclamer de chacun, est directement déterminé par la loi: le rendement de l'impôt reste incertain jusqu' à la fin de l'exercice. Ainsi la loi de finances décide que l'impôt foncier sera de 3 % du revenu net: elle n'inscrit au budget des recettes que le montant *probable* du rendement de l'impôt. L'impôt de répartition est celui dans lequel la taxe à payer par chaque contribuable n'est pas déterminée directement par la loi Seule, la somme totale que doit produire l'impôt est fixée et répartie ensuite entre les redevables au prorata de leur revenu imposable

is concerned, in the case of the former taxes, the legislature fixes the total amount to be levied, and not the personal shares; in the latter, the individual payment according to conditions is laid down in the tariff, and the collection is immediate and personal, the total yield being a matter of financial calculation.[1]

It is important to note this difference in the method of levying the direct taxes, inasmuch as the method of apportionment leads to extraordinary inequalities between one district and another, due chiefly to the difficulties of establishing up-to-date assessment and valuation.[2] Thus, in 1887—9 in France, while the average rate of the principal for the whole country of the land and buildings tax was 3·87 per cent. of the net annual value, it varied as between the communes from 0·15 per cent. to 42·21 per cent; also the house tax varied from 0·73 per cent. to 35·3 cent. of the annual letting value. The personal taxes, on the contrary, allow of a fairer adjustment being made both in respect of ability to pay for, and also of benefit derived from, services which are either general or local in character.

Ainsi la loi des finances decide que la somme à retirer de l'impôt foncier sera de 100 millions: elle n'établit pas de tarif fixe.

[1] The taxes, of which shares are "apportioned" to the various areas, are impôts de répartition; those which are "rated," or paid in accordance with a tariff are impôts de quotité. Cf. Bastable, p. 273.

[2] Although the law of 1898 for the encouragement of the formation of a new cadastral assessment provided that the State should contribute 40 per cent. and the department 40 per cent. of the total cost, the communes which have renewed their assessments since then have not been numerous. In 1898 only sixteen, in 1899 twelve, in 1900 thirteen, in 1901 twenty-three, in 1902 eighteen only out of 36,187 communes could be induced to vote their quota of 20 per cent. towards the expense of bringing their assessments up to date. See Boucard et Jézé, p. 254.

CHAPTER VIII.

The State Direct Taxes and Local Additions in France.

The principal of the direct taxes provides the central government in France with about one-seventh of its ordinary revenue, while the local additional centimes levied by the councils-general of the departments constitute considerably over one-half of their ordinary resources, and those levied by the communal authorities furnish to the communes about one-fourth of their receipts.[1]

When the great Revolution of 1789 swept away the previous heavy and vexatious modes of taxation, they were replaced by a system of direct taxation, l'impôt direct, which was divided into four distinct classes :—

A. "Contribution foncière," which may be regarded as a "land" tax, and a "land and buildings" tax, according as reference is made to agricultural land or to land with buildings erected on it.

B. "Contribution personnelle et mobilière," a personal tax and personal property tax, consisting of (*a*) a fixed poll-tax, and (*b*) a tax on the rentals of houses and apartments.

C. "Contribution des portes et des fenêtres," a tax levied on doors and windows.

D. "Contribution des patentes," which corresponds to the term licence tax paid by most trades and professions.

The "land" tax and the "land and buildings" tax, which

[1] "The additional centimes to the direct contributions form about one-fourth of the ordinary resources of the communes (other than Paris). If the prestations and assimilated taxes, usually considered as direct taxes, be added, the combined totals form two-fifths of the ordinary revenues of the communes; the product of property is nearly one-eighth, and the different municipal taxes barely one-tenth ; the revenue from octroi dues is rather more than one-fourth." See Leroy Beaulieu, p. 790, and Table I. in Appendix.

for a century previously had been levied as a combined tax, have since 1890 been levied separately.[1]

The "land" tax is levied on the net revenue which remains to the owner after deduction from the gross produce of the cost of cultivation, sowing, gathering of crops, and maintenance. The amount of gross produce of land not built upon is calculated according to the nature of the crops, or the uses to which the land is put, taking an average of fifteen years, after deducting the two highest and the two lowest years. There is no legal limit fixed for the deductions to be made to arrive at the net revenue. By a complicated process of valuation (with exemptions and alleviations), undertaken by five classifiers (chosen by the communal authority), and the Controller of Direct Taxes (a representative of the central authority), the land in the commune is arranged in ten classes. For each of these classes a tariff is determined by the council of the commune and approved by the departmental commission (a permanent committee of the Departmental Assembly), with appeal allowed to the Assembly itself or to the Council of State (the highest administrative court of appeal).

"The annual value of each plot of ground being estimated, a list of all the plots belonging to the same owner, with their valuation, is drawn up and inserted in the return—the cadastral roll—which, when certified by the Director of the Direct Taxes and approved by the Prefect, is left in the tax office, a copy being also deposited in the Mairie of the commune concerned. The allotment of the tax charge then becomes a simple matter; it is only necessary to look for the relation existing between the total tax imposed on the commune and the total annual revenue return of the properties comprising it, and to apply this to the annual revenue return of each landowner.[2] Thus, if the total assessment of a commune represents 10 per cent. of the properties comprised in it, each landowner is taxed at the rate of 10 centimes per franc of his own revenue in it as officially estimated."

[1] Boucard et Jézé, p. 276.

[2] Report of Mr. Jerningham on French Local Taxation in Appendix to H. C. paper, 470 of 1870, p. 191. Cf. also O'Meara, p. 166.

For lands with houses and buildings erected on them an average of their annual letting value during the previous ten years, deducting, as in the case of land, the two highest and the two lowest years, is taken to estimate the net taxable revenue; such properties are not subject to the tax until the third year after completion of the buildings, though valuation is made as soon as possible. For the taxes on both land and buildings the landlord is liable; an agricultural tenant, however, is liable to the extent of one year's tax left unpaid by his landlord. Public property pays no tax, except when devoted to a purpose bringing in revenue; roads on which tolls are paid, for example, pay.[1] The State forests and plantations are not subject to the central tax, but they are liable for departmental and communal additions.[2]

The law of 1821 charged the departments with the expense of maintaining the cadastre, or general assessment roll, for the purpose of equalising the incidence of the land tax. It is a work of immense cost and difficulty, and many of the communes are at present contributing on an assessment several decades old.[3] Local councils have the right, subject to approval, of correcting the most gross and palpable mistakes in the estimates of values; but if they desire to make a general re-assessment of the whole of their area after a period of thirty years they must do so at their own expense.[4]

[1] Boucard, p. 283, n. 6.

[2] A law of 1810 exempted mines, etc., from land tax, and substituted mining dues payable to the State on a double basis of valuation: (*a*) a fixed annual due of 10 francs per square kilometre of mine area, and (*b*) proportional dues, at the rate of 5 per cent. of the net produce of the mine. Boucard, p. 275, n.

[3] *Ibid.*, p. 274. There are 224 communes, containing 2,417,406 properties, whose cadastral assessment dates from 1728 and 1738. For the greater part of the communes, the cadastre dates from the period 1811—1850. The number of communes whose original or renewed assessment is placed between 1850 and 1903, is only 1,730 out of 36,187 communes (excluding Paris).

[4] See Simonet, p. 781. "Afin de permettre aux communes d'opérer des revisions partielles, la loi 7 août 1850 dispose que "dans toute commune cadastrée depuis 30 ans au moins, il pourra être procedé à la revision sur la demande du conseil municipal, et sur l'avis conforme du conseil général du departement, à la charge par la commune de pourvoir aux frais."

When the land tax, in 1790, was inaugurated, the maximum of the State "principal" was never to be more than 6 per cent. of the annual revenue from land and land-and-buildings. The inequalities occasioned by the imperfect cadastre have repeatedly provoked inquiry, but little improvement resulted till 1890, when the combined tax was split up into a tax on "land" and one on "built-on land."[1] The increased value given to the land by the growth of house property caused a differentiation to be then made, whereby the latter, through payment of an increased tax, was made to bear the burden of relief to agricultural land.[2] The tax on "land" still remains one of apportionment, but the "land and buildings" tax is now rated according to annual value, and is fixed at present at 3·2 per cent., after deduction of a quarter which is allowed for repairs and maintenance in the case of dwelling-houses, and one-third in the case of other constructions, such as factories, storehouses, etc. Revision of built-on land assessment may take place every ten years.[3]

Two other direct taxes affect property in buildings—the contribution mobilière (B), and that of doors and windows (C).

B. The "personnelle mobilière" is in itself a combined "personal" and "rental" tax. The personal element is a poll-tax, leviable on every native or foreign resident of either sex who is not a pauper; even self-supporting minors must pay. The tax is fixed at the value of three days' labour; the council-general of each department determines the local rate of the day's labour within legal limits of 1 franc 50 centimes and 50 centimes, laid down in a law of 1832.[4] No

[1] For example, in 1850, when it was shown that the main State land tax without local additions was about 6·06 per cent. of annual value, whilst it varied in the different departments from 9·04 per cent. of net revenue to 3·74 per cent. As we have seen, the grossest inequalities as between the various communes still existed in 1889, and are, of course, still further enhanced by the departmental and communal additions to the State principal amount. See Berthelemy, "Droit administratif," p. 818.

[2] The "land" tax was reduced from 4·6 per cent. to 4 per cent. of annual value; the "land and buildings" tax was raised from 3·035 per cent. to 3·2 per cent. For results see Boucard, p. 276, n.

[3] See O'Meara, "Municipal Taxation at Home and Abroad," p. 168; and Boucard, p. 283.

[4] L. 21, 4, 1832.

local additions can be made to this portion, which, it may be noted, is a rated payment; but they are attached to the second element which is apportioned, viz., the mobilière, which is a tax in proportion to the rent of house or apartments.

As in practice the local contingent of the personnelle mobilière is fixed by the legislature on the two component parts in combination, and the poll-tax total is deducted by the local authority before redivision is made in the locality of the other element, the inequalities between districts which we have noted in the case of the land taxes are here again repeated. Thus, in 1889, the mobilière varied from 2 per cent. of the letting value in forty-nine communes, to a maximum of 10 per cent. in as many as 2,249 communes, the average being about 4 per cent. of letting value.

In its main features the personnelle-mobilière is regarded as an approximation to a tax on income, of which the furnished apartment occupied or the house rent paid is presumed to be a fair indication.[1] In its earliest form the tax was on a progressive scale, which, however, only continued for a few years (till 1798), difficulties of application leading to its early withdrawal. The tax has apparently the weakness of our own rating system; the incidence on owner and occupier is not in an easily determinable proportion, and the premises occupied are not always commensurate with the income of the occupant.[2]

Civil functionaries occupying gratuitously apartments in State, departmental, or communal establishments pay the tax on the letting value of the portions they occupy; but the tax does not apply to shops, workshops, or other buildings exclusively devoted to business purposes.

As in the case of the land taxes, State and local authorities and local inhabitants are associated in the annual revision of

[1] "L'impôt sur les loyers, appelé improprement en France impôt mobilier, est l'un des meilleurs qui existent. Il n'est certainement pas parfait, mais on peut le proportionner à l'importance du revenu ou plutôt des facultés des citoyens avec toute l'approximation possible dans les affaires fiscales." Leroy Beaulieu, Traité de la Science, p. 463.

[2] Cf. O'Meara, p. 170; Leroy Beaulieu, p. 788.

the assessment list, which is submitted to the councils of the communes, for them to strike out persons exempt on the score of either the number of children in the family (occupiers with seven children being relieved of the tax), or of minority in certain conditions, or of general indigence.[1] In the towns having an octroi the municipal council may, by a decision submitted to the approval of the President of the Republic, exonerate the inhabitants from the poll-tax and from a portion or the whole of the mobilière, paying the amount due to the central authority out of the proceeds of the indirect taxes.[2]

C. The contribution des portes et des fenêtres is an apportioned tax.[3] The amount which the commune has to pay to the State determines the tariff which is drawn up by the communal authority so as to cover it. The tariff varies accordingly with the population of the local area, and the number, size, and position of the openings subject to the tax. Generally, no attention is paid to the letting value of the house; by special laws for Paris (Loi 1852) and for Lyons and Bordeaux (Loi 1854) tariffs are in those towns enforced which pay more regard to the exceptional rental values of premises occupied.

The five classes of communes above 5,000 in population have separate tariffs for (1) the crowded central districts and (2) the suburbs. The limits of the tariffs are fixed by the council-general of the department on the advice of the director of the direct taxes. The tax is said to bear hardly on owners of houses and buildings; it is recoverable from them, with legal rights of re-demand from the tenants.[4]

[1] Sont reputés indigents les individus que le conseil municipal et la commune declare tels (art. 17—18 L. 21 avril 1852). Le conseil municipal peut soit faire une designation individuelle et nominative des indigents, soit decider qui seront reputés indigents les individus payant un loyer inferieur à une somme determinée (Conseil d'Etat 14 mai, 1891, Décret 92), Boucard, p. 262.

[2] Law of 21.4, 1832, art. 20.

[3] See Boucard et Jézé, p. 343.

[4] It has been estimated that three-fourths of this tax really falls on the owners of property. Cf. O'Meara, "Municipal Taxation at Home and Abroad," p. 170; also "Report on Taxation of Land and Buildings in European Countries," C. 6209 of 1890.

Numerous proposals have been made for the absorption of this objectionable tax into the mobilière, or its entire abolition, hitherto without effect.[1] A law of 1892 provided for its incorporation with the house tax, but as the necessary conditions for readjustments have not been fulfilled, in spite of repeated agitation, its application has been continually deferred.

D. The fourth contribution, comprising professional and trade licences (patentes), was forced on the Constituent Assembly by the fiscal deficiencies of the land and house taxes which the early republican administrations had hoped would meet all requirements after the sweeping away of the heavy taxation and harassing restrictions of the ancient *régime*. In its first form the tax was laid on trade premises in proportion to rentals, and was regarded as supplementary to the house tax, which applied only to dwelling accommodation. A long series of changes have been made in the regulations governing the tax, in order to meet the various industrial developments of the past century. It has been an extremely fruitful source of revenue for both central and local authorities, having grown much more rapidly than the house and land taxes. In recent times it has been used as a means of wider adjustment of burdens and as an indirect method of redressing the grievances of contributors to the other three direct taxes. The motive of the tax was that the profits of trade and industry should contribute to national and local burdens under a form which was necessitated by the lack of a general income tax.

It is a rated tax, and paid in accordance with a tariff drawn up by the legislature. The tariff is drawn up in four schedules or tables, each of which is subdivided into eight classes. In general, everyone exercising any profession and trade (except those legally exempt, which notably includes the large class of small farmers) is subject to the tax in

[1] See Bastable, "Public Finance," p. 448; Leroy Beaulieu, p. 788. The latter specifies as reforms urgently needed (*a*) the revision of valuation of land, (*b*) the mobilier to be made more proportional to the annual value of buildings, (*c*) the doors and windows tax to be absorbed in the mobilier, (*d*) the improvement of the assessment of the patentes.

proportion to his ability to pay for local advantages and expenditure, and for general security. The process of discovering this ability has led to this complication of schedules and classes designed not only to insure certainty of revenue, but also to escape the pressure of officials, external evidence supplying the materials of assessment.

The classification is divided into three stages :—

1. The trades and professions are divided into four tables, A., B., C., D., according to their nature and supposed lucrativeness generally.

2. Each of these tables is classed according to the population of the commune where the business is established,

Population of Commune.	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8
	Pays in Frs.	Pays in Frs.	Pays in Frs.	Pays in Frs.	Pays in Frs.	Pays in Frs.	Pays in Frs.	Pays in Frs.
In Paris	400	200	140	75	50	40	20	12
More than 100,000 inhabitants .	300							
From 50,000 to 100,000 inhabitants	240							
,, 30,000 ,, 50,000 ,,	180							
,, 20,000 ,, 30,000 ,,	120							
,, 10,000 ,, 20,000 ,,	80							
,, 5,000 ,, 10,000 ,,	60							
,, 2,000 ,, 5,000 ,,	45							
Under 2,000 inhabitants . .	35	25	18	12	7	4	3	2

on the general principle that the larger the population the greater opportunity of profits.

These two stages determine the amount of the so-called fixed duty.

3. The classes are again sub-divided, for the same trade in the same commune, according to the letting value of the trader's house and establishment, and in some trades according to the number of men employed. This third stage determines the amount of the proportional duty, the assumption being that the profits accruing to any trader are in proportion to the size and equipment of the establishment necessary for his business.

Patentes.[1] Four tables :—

A. Retail merchants, wholesale and retail merchants and artisans employing workmen.

B. Bankers, brokers, merchants—*i.e.*, wholesale traders, importers and exporters.

C. Manufacturers.

D. Liberal professions, viz., lawyers, physicians.

These tables are again subdivided into nine categories according to the population of the commune, as given in the table on page 138.

[1] For full description of the complicated patentes, see Boucard et Jézé, pp. 309 *sq.*; see also Bastable, pp. 457 *sq.*

CHAPTER IX.

The Finances of the French Departments.

From all these four direct taxes the local authorities, both departments and communes, subject as has been indicated to legislative and bureaucratic control, obtain considerable proportions of their revenues by the simple process of adding hundredths (centimes) to the amount of the principal (francs) which goes to the central authority.[1]

The departmental additional centimes are levied to meet ordinary and extraordinary expenditure, and for general or special purposes. The present system may be thus set out :—

Ordinary Centimes.[2]

	Levied on Principal of	Present Maximum.
(*a*) For General Purposes.		
(1) Centimes for ordinary expenses	"Land," and "land and buildings," and "houses" taxes . .	25
[3] (2) Centimes for ordinary expenses	All four direct taxes .	8
(*b*) For Special Purposes.		
(3) Centimes for road service .	All four direct taxes .	10
(4) Centimes for establishment of cadastre . . .	"Land" and "land and buildings" taxes .	5
(5) Centimes for renewal and revision of assessments .	"Land" only . .	1
(6) Centimes imposed by superior authority for obligatory services . .	All four direct taxes .	Indefinite

[1] The departmental and communal budgets have been eliminated from the national budget since 1892. (See Boucard, pp. 38 *sq.*)

[2] Bulletin de Statistique for 1906, pp. 456—457.

[3] The law of July 13th, 1900 (art. 14), expressly lays down that the additional centimes on all the four Dir. Cont., must not be resorted to unless the revenue from the 25 centimes on the foncier and personnel-mobilier taxes are insufficient.

Extraordinary Centimes.

	Levied on Principal of	Present Maximum.
(7) Centimes imposed in virtue of annual finance law .	All four direct taxes .	12
(8) Centimes imposed in virtue of special laws affecting only a particular department	All four direct taxes .	Indefinite

As may be observed, the local additions do not bear equally on the four State taxes.[1] The establishment and renewal of the assessment roll being a matter primarily affecting the owners of real property, any expense for alteration is laid on those who might individually profit thereby. The actual expenditure for this purpose is, however, almost negligible; in all France in 1903, for example, only four departments incurred expenditure for these objects, the total of centimes levied was only six, meaning an expenditure of less than 40,000 francs.

The same insignificant proportions are attained by amounts raised in pursuance of the compulsory powers of the superior authority to inscribe in the departmental budgets necessary sums for "obligatory" expenditure (inscription d'office). The councils-general have generally shown themselves keenly alive to their responsibilities, and have of their own initiative provided for statutory obligations laid on them; the power of inscription has been in recent times seldom exercised, *e.g.*, in 1903 no single case occurs.[2]

The present arrangement of the means of ordinary revenue

[1] For views and discussion on the general policy of thus making local taxation "a mere appendage to general taxation" from an economic and financial standpoint generally, see Bastable, "Public Finance," p. 407. O'Meara, "Municipal Taxation at Home and Abroad," Ch. V.; and Blunden, "Local Taxation and Finance," p. 72.

[2] Cf. Review of the "Financial Condition of the Departments" in Bulletin de Statistique, October, 1906, p. 448. The Minister of the Interior says: "In no case has a department been subjected to imposition d'office for the payment of obligatory expenses. This is a condition which is practically permanent, and it bears testimony to the care which the councils-general bestow on the management of the interests which are entrusted to them."

for general purposes and for the road service, and for obtaining extraordinary revenue is the outcome of a series of changes made in consequence of the increased powers of self-government, extended to the councils-general; it has resulted from the expedients adopted to make the growing wealth of the industrial and commercial classes contribute more largely to common burdens, and to provide for new services which have been from time to time entrusted to the departments. A brief survey of this development will illustrate the French mode of meeting some new problems of local finance.

Prior to 1838 the councils-general were regarded simply and solely as territorial delegations of the central authority. Almost the only object on which they were allowed any real discretion was the management of the departmental roads, which had originally formed the lowest division of State routes, and which had been handed over to them towards the end of the Napoleonic era. Their budgets were submitted to the Minister of the Interior, who had absolute control of them, and appeared as a component part of the national accounts; their finances were part and parcel of those of the central authority.

But with the July Monarchy came new charges and new resources. The law for primary instruction laid on them certain obligations in 1833, which were followed three years later by increased responsibilities for district roads. The old system of specialised receipts and payments which had existed under the strictest central control became unsatisfactory when, by the endowment of civil personality in 1838, the department had obtained the right of accepting gifts and legacies, and holding property; and when also it had acquired the opportunity of indulging in loans and extraordinary expenditure.

Since 1817 the departments had been compelled to levy fourteen additional centimes, of which six were transmitted to the central treasury,[1] two were devoted to a common

[1] The departmental expenses were in the first place met by deductions from, not by additions to, the State direct taxes. The law of 1791 gave them powers to add four centimes. Under the Directory this discretion

fund managed and distributed by the central authority, in aid of the poorer departments, the six remaining being applied to various local compulsory expenses. In addition to these, the department might levy five optional centimes with the approval of the Minister of the Interior, which was only conferred in exceptional circumstances and on condition that central interests did not suffer.

In 1838, as the result of increased freedom, the budget of of the department was re-cast, and the first attempt made to formulate the present division into obligatory and optional expenditure; the councils-general were granted the opportunity of levying optional centimes for schools, district roads, and the improvement of assessment; extraordinary centimes by favour of a special law might also henceforth be levied. The maximum for ordinary centimes was at this period twenty-five.

The increased expenditure for these objects called for revision, which took place in 1866, when a division was made of the expenditure into ordinary and extraordinary, the ordinary expenses comprising the obligatory ones and some others, the extraordinary expenses being those allowed as such under the Finance Law, for which a special law, or special authorisation, was necessary, to raise the revenue which gave denomination to the expenditure met by it.

In the law of this date there were only three services which were compulsory—maintenance of prefectoral buildings, the police barracks, and the courts. "A double current has been manifested in the evolution of the department

was again withdrawn, and the government of the departments became again one of "absolutism and centralisation." In this period all their acts could be cancelled by the Ministers, whether they were legal or not. In 1799 another modification came in the direction of a slight improvement, a distinction being made between central and departmental expenses, and a very restricted initiative was granted; some slight additions were made in 1811 and 1817. Further illustration of this close connection lies in the fact that till 1862 the departmental receipts and expenditure were incorporated in the general budget. From that year a "budget sur ressources speciales" including all departmental accounts appeared as Part II. of the general budget. By law of July 18th, 1862 this special budget was suppressed, and the legislature no longer voted the departmental budget, the control being handed over to the Prefect in each department for expenditure and to the Treasurer-General for receipts. See Boucard, p. 39.

since then. At the same time as the powers and autonomy of the department have been increased, the legislature has augmented the number of services for which the central authority has the power of compulsion."[1] It is only fair, however, to state that authoritative imposition has seldom been necessary;[2] the departmental councils provide of their own accord sufficiently liberally towards the services of their budget.

To provide revenue for these services thus compulsorily laid on the departments the main method has been by raising the maximum for ordinary and extraordinary centimes levied on *all* the direct taxes.[3] Thus in 1867 the departments were allowed one extra centime for ordinary purposes on the four contributions which was raised to eight in 1900; the road service, for which seven centimes were allowed on the four direct taxes in 1867, was further provided for from the same source up to a maximum of ten in 1900; so that, since 1900 the departments have been enabled to raise ten centimes more from additions to the four contributions than they could previously. In 1900, also, an attempt was made to check the rapid growth in the departmental debts.

Two expedients were adopted for this purpose. The first was to recognise that most of the departments had for years found it necessary to raise the whole or the greater part of these twelve centimes extraordinary to meet permanent charges, and to allow for the future such charges to be met out of the increased ordinary, *plus* these extraordinary centimes without having recourse to loans; in fact, to recognise that the twelve extraordinary centimes were such

[1] See P. Dubois, "Le Budget Départemental," p. 31. The present number of "obligatory" services is twenty-five; the great majority have been added since 1885; the latest are necessary expenditure on public assistance to children, and old age pensions. For complete list see Appendix.

[2] For "inscription d'office," or compulsory insertion of necessary expenditure in the local budgets by a superior supervising authority, see Boucard et Jézé, p. 174.

[3] By law of 1866; see Leroy Beaulieu, p. 782. Cf. Table II. (France), in Appendix.

only in name.[1] The other expedient was to make it more difficult for the departments to obtain authorisation for a loan. Before that date a special law was always necessary to establish the legality of extraordinary centimes beyond the twelve recognised by the Finance Law. As substitute for the special law passed in the ordinary way, a special permit of the Council of State was made necessary. While this shortened the time, it increased the difficulty of obtaining the necessary sanction. Permission can no longer be obtained through the indifference, ignorance, or local interest of the deputies; the Council of State only acts on intimate knowledge, obtained from the Prefects, of the whole of the conditions of the department applying for extended finances.

To show the effect of the enlargement of resources provided by the legislation of 1900, the following figures are given:—

In 1894 all the eighty-seven departments levied the 33 ordinary centimes—twenty-five on land and house taxes; one on 4 direct contributions for ordinary expenses; seven on 4 direct contributions for vicinal service.

Eighty-one departments levied the 12 centimes extraordinary authorised annually by the general Finance Law.

Six departments did not use up entirely these 12 centimes.

Eighty-one departments had recourse to centimes extraordinary authorised by special laws to a total of

81) 992 centimes

12·25 average.

Add the 33 ordinary centimes authorised by Finance Law .	33
And the 12 extraordinary authorised by the general Law .	12
Total of departmental centimes of all kinds	57·25

[1] In 1900 only three departments levied less than the maximum (Lot-et-Garonne 11·50 centimes, Alpes Maritimes 11 centimes, and Territory of Belfort 8 centimes). In 1903, sixty-six departments levied all the 12 centimes, two levied 10 centimes to 12 centimes, six levied 8 centimes to 10 centimes, seven levied 6 centimes to 8 centimes, one levied 4 centimes to 6 centimes, two levied 2 centimes to 4 centimes, and one levied no centimes at all.

In the same year the average number of communal centimes was 56, which gives a total for both departmental and communal centimes of 113·25.[1]

With these figures may be compared the following for 1903. (By Finance Law of 1900 the 33 ordinary centimes were raised to 43.)

Eighty-six departments levied the 43 ordinary centimes, sixty-eight departments levied the 12 extraordinary centimes of Finance Law, nineteen departments did not use up these 12 centimes entirely, sixty-seven departments had recourse to centimes extraordinary authorised by special laws or decrees (varying from 4 to 64) to a total of

67) 790 centimes

11·79 average.

Add 43 ordinary of Finance Law	43
And 12 extraordinary of Finance Law	12
Total of departmental centimes of all sorts .	66·79

In the same year the average number of communal centimes was 63, which gives a total for both departmental and communal centimes of 129·79. Increase in nine years = 16·54 centimes.

In order that the part occupied by these additions to the State direct taxes in departmental finance may be duly appreciated, it is necessary to point out that they do not form the sole resources of the regional authorities. Other means of revenue may conveniently be classified as :—

(1) Revenue in aid from (*a*) property, (*b*) gifts and legacies, (*c*) offers of bearing part of the cost of certain public works (*e.g.*, roads, public improvements) from individuals likely to profit thereby ;

[1] In 1874 the average number of communal centimes additions for all France was, on Foncier, 41 ; Mobilier, 41 ; Port. and Fen., 36; Pat., 31. For the departments in the same year the average additions were 51 on Cont. Fonc., 51 on Pers. Mob. ; 26 on Port. and Fen. ; 27 on Patentes. See Leroy Beaulieu, p. 787.

(2) Subventions from the State and communes towards services which the departments administer;

(3) Sales and loans.

	1901.	1902.	1903.	Percentage in 1903.
	Francs.	Francs.	Francs.	
Revenue from departmental property .	2,026,624	2,696,540	2,674,003	·7
Conditional receipts: (offers of aid from individuals and subventions from State and communes). .	84,513,879	82,005,231	86,997,853	24·8
Product of departmental additional centimes (ordinary), 12 centimes extraordinary of Finance Law, centimes extraordinary by special laws	195,060,658	199,009,546	201,790,391	57·5
Sales and loans . .	52,216,292	49,167,757	58,334,516	16·7
Gifts and legacies[1] .	661,352	1,416,175	1,198,662	·3
	334,478,796	334,295,249	350,995,425	100·

The insignificant amount of departmental property is due to the fact that their incorporation is of recent date; they have benefited little compared with the communes from gifts and legacies. Such lands as they do possess are devoted to the use of the public, and are as a rule entirely unproductive of revenue. Further, they derive no profits from any unused balances, as these are, in return for free collection of departmental revenues by the fiscal officers of the central exchequer, retained in the control of the central authority and not of the departments. Such profits as do actually accrue to the departments arise from rentals of land or buildings, establishments such as nurseries, mineral water springs, sale of wood and road materials, advertisement hoardings on

[1] Cf. Dubois, "Le Budget Départemental," p. 37. For previous years see Table II. (France), in Appendix.

departmental roads, and in small measure from tolls on canals and bridges.

The parts borne by the communes and individuals in the provision of certain services will be considered later; but a word should be said about one general grant-in-aid from the central authority which is distributed among necessitous departments, and to which reference has already been made. It will be recalled that from the early days of the Republic the departments were compelled to raise five centimes, which were transmitted to the Central Treasury and formed a common fund for assistance of departments temporarily in difficulties through a disaster of some sort, or suffering from chronic poverty and insufficiency of revenue. The division was published in the Annual Bulletin des Lois.

The extension of incorporation and greater financial freedom to the departments in 1838 soon showed that the old method of distribution had become antiquated and inconvenient. On the one hand there had developed greater variations in the necessities of the departments, and on the other hand the departments were inclined to rearrange their expenditure so as to make greater claims on the common fund. The confusion became greater when the central authority allowed those departments which paid more than they received to reclaim the difference, which, as might be expected, led to complications and discontent. To remove all sources of dissatisfaction, the Law of 1866 replaced this common fund by a general subvention for kindred purposes from the central exchequer.

A general credit of about four millions of francs has since that date been annually voted to the Ministry of the Interior for the purpose of aiding generally, with no special restrictions, necessitous departments.[1] The position of the departments which were aided in 1902 may be seen from the map on page 394. For the most part they are mountainous areas, where apparently the poverty arises from the quantity of waste land and greater cost of road construction and main-

[1] Leroy Beaulieu, p. 300; Kaufmann, p. 417; and Annuaire Stat. de la France for 1901 (Vol. 21), p. 404; see also O'Meara, p. 164.

tenance. In 1883, fifty-three out of the eighty-six departments were thus assisted, and in 1902 a credit of 3,695,000 francs was distributed among fifty-one departments.[1]

[1] The highest amount allotted was 244,700 francs to Haute-Savoie, the lowest, 3,200 francs, to Meurthe-et-Moselle; three departments obtained more than 200,000 francs, twelve were granted sums between one and two hundred thousand francs, eleven got between fifty and a hundred thousand francs. As will be seen in a later chapter, the State subventions to the departments (apart from contributions to road service) have, including the General Necessitous Subvention, risen from six to more than eighteen millions of francs in the years 1887—1903.

CHAPTER X.

Communal Revenues in France.

As the resources of the communes are more varied than those of the departments, the proportions of the additional centimes to the total revenues do not bulk so large; they are nevertheless an important part and have shown to some extent the same tendency to broadening in base, and in the number of additional centimes which may be raised.[1] As in the case of the departments, they are levied to meet ordinary and extraordinary expenditure, and for general or special purposes.

The present system is arranged as shown in the table at top of page 151.

The communal council can vote, within the limits of the maximum fixed each year by the council-general of the department, extraordinary centimes to the number of 5 centimes for five years. These become legal if the Prefect has not annulled the resolution of the council within a fixed period—which is rarely done. The communal council can also vote, with the express permission of the Prefect, a number of centimes which would go beyond the 5 centimes without exceeding the maximum fixed by the council-general, and of which the duration above five years would not be superior to thirty years. In practice, therefore, the communal council has voting powers up to 5 centimes with the nominal control of the Prefect, and from 5 centimes to the maximum of the council-general with express permission of the Prefect.[1]

To go beyond the maximum of the council-general, or to extend the period of repayment beyond thirty years in the case of extraordinary centimes for the purpose of repayment

[1] Cf. Table IV. (France), in Appendix.

ORDINARY CENTIMES.

	Levied on Principal of	Present Maximum.
(*a*) FOR GENERAL PURPOSES.		
(1) Centimes for ordinary expenditure (obligatory and optional) . .	Land and buildings .	5
(2) Centimes for ordinary expenditure (obligatory and optional) . .	House tax (mobilier) .	5
(*b*) FOR SPECIAL PURPOSES.		
(3) Centimes for upkeep of roads (chiefly) . .	All four direct taxes .	5
(4) Centimes for rural forest guards	„ „ „ .	1
(5) Centimes for erection of slaughter-house . .	„ „ „ .	2
They may also with special permission levy:		
(6) For smaller roads . .	„ „ „ .	3
(7) For footpaths . . .	„ „ „ .	3
(8) For support of necessitous families of soldiers serving with the colours .	„ „ „ .	3
(9) For collection of communal taxes . . .	„ „ „ .	3
(10) For insufficiency of revenue to meet obligatory or optional expenditure[1]	„ „ „ .	Indefinite

EXTRAORDINARY CENTIMES.

Mainly but not exclusively for repayment of loans . . .	All four direct taxes .	Indefinite

of loans, a special authorisation by decree of the Chief of the State is necessary.

In spite of this stringent control, the very general increase in local levies necessitated by the fulfilment of their functions

[1] The Prefect is empowered to grant permission in the case of "obligatory" expenditure; for "optional" expenditure a decree of the President of the Republic, issued with the approval of the Council of State, is necessary.

by the communal authorities may be seen from the following table :—

Number of Communes which levied	In 1896.[1]	In 1900.	In 1904.	In 1905.	In 1907.
Less than 15 c. . . .	—	3,420	3,168	3,010	2,939
From 15 c. to 30 c. . .	—	6,818	5,967	5,755	5,429
From 31 c. to 50 c. . .	—	8,974	8,646	8,456	8,403
From 51 c. to 100 c. . .	11,375	11,917	12,691	12,968	13,048
Over 100 c.	4,651	5,051	5,730	6,021	6,411
	36,166	36,180	36,202	36,210	36,230
Average per commune .	—	59 c.	—	63 c.	65 c.

"The cause of the increase of the ordinary centimes," says the Minister of the Interior in his review of the financial condition of the communes in 1905, "proceeds, as in former years, as much from the progressive development of municipal services (such as the upkeep of communal roads and paths, and increased assistance by way of medical relief to the aged and infirm) as from the constant diminution of the revenue obtainable from communal property. The extraordinary centimes are generally destined to repayment of loans which the communes are each year obliged to contract for the execution of different works, such as the enlargement or construction of schools, creation of new roads, water supply, telephonic communication, etc."[2]

Great difficulty exists in obtaining detailed information respecting the communal budgets in France. Although the budgets of all towns with a revenue exceeding 30,000 francs must be transmitted for approval and audit to the central government, no printed survey is issued by the Finance Minister or the Minister of the Interior; the budgets of

[1] In 1896 the upward extremes were 506 centimes (346 ordinary and 160 extraordinary), 400, 398, 305 centimes levied in particular heavily burdened communes. In 1710 communes one centime add. yielded less than ten francs revenue, in 11,291 less than thirty francs, in 18,001 less than 100 francs. See Leroy Beaulieu, p. 786.

[2] See Bull. de Stat. for May, 1906.

the smaller communes go similarly to the Prefect of the department in which they are situated. Accordingly only at very irregular intervals have comprehensive and detailed statements been given; they are only available for the years 1838, 1862, 1877. The review of 1877 affords the latest information in detail on the subject. Even French economic authorities are in consequence compelled to resort to approximate estimates.[1]

Of the proceeds of taxation which must be applied to certain specified objects are: (1) Slaughter-house tax, which is calculated in such a manner as to just cover the annual expense; (2) special centimes for the rural police where the municipality has voted their employment; (3) special tax for street cleaning, which has taken the place of the old personal obligations of the householders; (4) special taxes for tax collection, insufficiency of revenue, maintenance of soldiers' families, and upkeep of rural footpaths. The maintenance of the roads calls for special notice, inasmuch as it is a heavy item in the communal burdens, and it, moreover, is an interesting survival of the system of the corvée, or forced labour, which has done so much to furnish France with its excellent network of roads, probably the best in Europe.[2]

In cases where the ordinary resources of the commune are not sufficient, the council may impose an additional temporary rate (up to 5 centimes on the four direct taxes, law 1836), or it may call on every householder to furnish three days' labour for himself and for each male between eighteen and sixty years of age residing with him, whether member of the family or a servant; and the same for every waggon, plough, beast of burden, whether draught or saddle.

[1] "It is to be regretted that the annual statistics of communal finances in France suffer from some very considerable defects. It is necessary for purposes of comparison to go back to the detailed and complete statement of 1877." Leroy Beaulieu, p. 791.

[2] Prior to 1789 the rural roads were regarded as the property of the seigneurs. The present regulations respecting the "prestations" were fixed by the law of 1836. For detailed figures showing the assessment and yield of the tax for various years (1837 to 1906) and for the division of the tax among the different categories of roads, see Tables VI. (a), (b), (c) (France), in Appendix.

The day's labour value is fixed annually by the council-general of the department for each commune, and may be given in service or money equivalent. Towards the vicinal service the prestations, according to official valuation, have contributed during the whole of the past century, roughly, one-third of the entire expense. They were valued at 56 millions of francs in 1875 out of an entire roads' charge of 174 millions, and in 1893 at 59,740,364 francs out of a total expenditure on roads of just under 200 millions.[1] In mountainous districts nearly all the prestations are paid "en nature," and throughout France between 60 and 70 per cent. of the total contributions under this head are in labour.

Examining now the main features of French local taxation, we observe that they consist, roughly, in the case of the communes of:—

27	per cent.	centimes additional.
1	,,	Government assignments out of certain taxes.
46	,,	octrois.[2]
10	,,	prestations.
16	,,	special taxes and particular payments of the nature of fees.

Of these the land taxes and the patentes partake of the nature of taxation according to interest; the land, buildings, business establishments, and manufacturers reap the benefit of a considerable proportion of the advantages obtained by communal expenditure, for which they pay in proportion.[3] The house tax (mobilier), on the other hand, represents in a more or less satisfactory fashion taxation according to ability, to which category also belong, though with considerably less equity, the taxes on consumption. The centimes on the mobilier only amount, however, to

[1] Leroy Beaulieu, p. 796. "To suppress the prestations it would be necessary to establish about eighteen centimes additional to the direct contributions: a burden which the bulk of the population would consider too heavy."

[2] For description and details of the octroi system, see pp. 303 *sq.* *infra*, and Table V. in Appendix.

[3] Cf. Dubois, "Essai sur les Finances Communales," pp. 194 *sq.*

one-sixth of the total centimes and one-twentieth of the fiscal resources of the communes. The prestations in country districts and the special taxes (for road sweeping and watering) may also be included in the taxes based on interest or exchange. The produce of taxation according to interest is, therefore, roughly, one-half the tax receipts of the communes.

The remaining fiscal receipts of the communes are based almost exclusively on the principle of exchange; payments made for certain services or opportunities specially offered by the commune to individual members of the community, such as fees paid for stands in markets and fairs and for vehicles in the streets; slaughter-house fees; fees for weighing and measuring; tolls for certain rights of way; judicial and municipal administrative charges; in some towns special payments for street cleansing, for paving and road construction; in the country communes special charges for obtaining wood or for pasturing cattle on the communal property.

For general expenses each commune may impose, if it deems necessary, any number of hundredths up to five of the principal of the contribution foncière and the contribution personnelle-mobilière, and may levy a dog tax, which varies from one to ten francs, according to the purpose for which the animal is kept, the lower rates being charged for house dogs and those commonly used in light peripatetic businesses.

The communes enjoy certain subventions also, which are paid over to them out of the product of the assimilated taxes levied by the State and appearing in the central accounts. (Law of April 5th, 1884, article 133.)

These are:—(*a*) Eight centimes per franc of the total yield of the patentes contribution (article 32 of the Law of April 24th, 1844, and article 36 of the Law of July 15th, 1880); (*b*) one-twentieth of the product of the impost (established by article 10 of Law of July 23rd, 1872) on horses and vehicles; (*c*) one-quarter of the tax on velocipedes (by Law of April 24th, 1893); (*d*) the additions made to the tax yield from mines, established as a guarantee fund

against accidents to workmen (redevances des mines: Law of 1898; taxe pour fonds de garantie—accidents du travail); and (*e*) five-fourteenths of the sporting licences which appear in the central accounts under the head of Stamp Duties (Law of 1844).

The totals of these funds thus assigned by the central exchequer to the communes, as grants in aid, amounted in the following years to :—

Assigned Parts of Revenues.[1]	Amounts handed over to Communes. In thousand francs.			
	1877.	1891.	1900.	1906.
8 per cent. of patentes . . .	—	—	7,266	7,752
5 „ „ taxes on horses and vehicles . . .	—	—	647	764
25 „ „ taxes on cycles . .	—	—	1,368	2,621
Part of mines tax	—	—	56	57
$\frac{5}{14}$ of yield of sporting licences .	—	—	2,798	3,443
Total	10,528	7,250	12,135	14,637

[1] Compiled from Ann. Stat. for 1900 (pp. 370—371), 1907; see also Acollas, p. 109, Kaufmann, II., 417; Dubois, "Essai," p. 189.

CHAPTER XI.

Central Assistance to Local Bodies in France for Roads.

In both France and Belgium a fundamental distinction is made between "la grande voirie" and "la petite voirie."

The former includes, in France, the national and departmental routes; in Belgium, the national and provincial routes; in both countries they are under the general control and supervision of the Ministry of Public Works, represented in the departments of France by the Prefect, and in the provinces of Belgium by the Governor. The national and regional authorities which have given denomination to the roads of these two classes are altogether responsible for their finance and administration.[1]

The petite voirie consists of (*a*) the urban system, (*b*) the vicinal or district roads, (*c*) rural footpaths (such as in England would be in the charge of parish councils). The urban streets, with the exception of such as form part of national or departmental routes (or in Belgium the provincial routes) are entrusted to the municipal councils, which provide for them out of their municipal revenues subject to the approval in France of the Prefect, in Belgium of the Permanent Deputation of the Provincial Assembly. For the rural paths and smallest roads the communes are entirely financially responsible.

The vicinal system of country roads is more complicated: it consists in France of (*a*) chemins vicinaux de grande communication, cross-roads uniting several communes and joining with main roads; (*b*) chemins vicinaux d'intérêt

[1] See Leroy Beaulieu, "L'Administration Locale en France et en Angleterre," p. 184; Simonet, p. 553. For expenditure, see Tables III. and VII. (France), and Table (Roads) (Belgium) in Appendix.

commun, smaller roads of similar type ; (*c*) chemins vicinaux ordinaires, which connect two communes but do not run through any small town or village. The expenses of (*a*) and (*b*) are shared between the departments and the communes. A very similar gradation and division of burden exists in Belgium, where the chief divisions are into la grande vicinalité and la petite vicinalité. A general characteristic guide in determining the allocation of financial burden is, the smaller the road the greater the share which the commune has to bear. In France these lesser roads are under the control of the Minister of the Interior, represented in the case of the urban streets and smaller communal roads by the mayor, and for the roads of greater importance by the prefect; in Belgium they have been at different times entrusted to the general supervision of the Ministry of the Interior and the Ministry of Agriculture, local management being in the hands of the communal council, subject to the approval in important matters of the Permanent Deputation.

The national roads of France are now, and have been since the Finance Law of March 25th, 1817, entirely at the charge of the central authority.[1] During the Revolutionary period the department assemblies had been responsible for the construction and maintenance of the great roads, but the relations of central and local authorities were still confused. The decree of December 11th, 1811, which divided the national roads into three classes, charged the departments with the upkeep of those of the third class, and granted a credit for that purpose of some six millions of francs. But "since 1817 the local budgets participate only in a manner

[1] The total cost of the national routes in 1905 was 30,251,105 francs; of this 26,118,770 francs was expense of maintenance, 2,586,197 francs ordinary repairs, extraordinary repairs and new works 1,546,138 francs.

"The national treasury has contributed for years a fixed annual subsidy of 4,000,000 francs, and the department of the Seine one-tenth of that amount towards the expense of the voie publique of Paris in accordance with the theory that the chief thoroughfares of Paris are to be considered as the continuation of national roads and departmental highways." A. Shaw, p. 55, "Municipal Government in Continental European Cities."

absolutely optional and quite exceptional in the expenses of upkeep of the main routes."[1] These national roads run from Paris to the frontier, or to the great military and naval stations; they also connect the capital with the great provincial towns, and these last with one another. They are made and repaired by a special office of the central government, "le service des ponts et chaussées," and cost to the national exchequer the sum of twenty-eight to twenty-nine millions of francs annually. They can be constructed only by the authority of a special law, which is also required for the inclusion among the national roads of one of a lower category, unless it is under twenty kilometres in length, when a decree of the Council of State is sufficient. As a matter of fact the creation of a new national road is now very rare; but more frequent are the constructions of portions of roads to fill up intervening gaps or to rectify gradients. The national routes had a total length of 34,200 kilometres in 1840, which sixty years later had only increased to 38,166 kilometres (in 1905). The streets of Paris are included in the grande voirie, and an annual grant is made from the central exchequer towards their upkeep.

Following the national roads in importance, and coupled with them in the grande voirie, are the departmental roads, which at present are administered by the councils-général of the departments and paid for out of their resources both as to construction and maintenance.[2]

Prior to 1838 these assemblies had very feeble powers in the matter of roads, every particular, even including classification of all roads in the departmental area, being reserved to the central authority. Gradually since that date extensions of control have been made to the councils-general. By the law of 1838 they were given the right to refuse to make a new road unless they thought it advisable; in 1866 they were granted the right of classifying such roads as did not go outside their own boundaries; in 1884 they were

[1] "Le Budget Départemental," by P. Dubois, p. 69.

[2] See Simonet, pp. 599 *sq.*; P. Dubois, "Le Budget Départemental," pp. 68 *sq.*

given full and complete freedom of classification of all roads in their areas, whether they traversed surrounding areas or not.

This power of classification is of importance inasmuch as it affects the distribution of financial burden. The departmental roads proper are at the sole cost of the department, but the charges for the two chief classes of the petite voirie, viz., chemins vicinaux de grande communication and chemins vicinaux d'intérêt commun, are shared between the departments and the communes in their territories. The net result of the grant of powers of classification has been a great transfer from the class of departmental roads to that of chemins vicinaux. In 1880 there were 40,000 kilometres of roads entirely at the cost of the departments, in 1900 there were only 17,390, and by 1904 a further decrease to 14,564 kilometres; more than fifty departments have converted all their roads into chemins vicinaux, thus compelling contributions towards their service from the communes in their areas.[1] In the latter year the departmental roads entailed an outlay by the councils-général of nearly 11 million francs under the heads of: upkeep, 7,162,606 francs; improvement and additions, 2,865,008 francs; salaries, 742,319 francs.

By far the greatest part of the departmental expenditure on roads goes, however, to the chemins vicinaux, which, as has been already pointed out, are of three kinds: (*a*) chemins vicinaux de grande communication, which join several communes and connect with main roads; (*b*) chemins vicinaux d'intérêt commun, which are lesser roads of the same type; (*c*) chemins vicinaux ordinaires, which join two communes but do not run through a town or a village. These divisions were made by the law of 1836, which defined the chemins vicinaux as "public ways intended for putting into communication either different parts of one commune or

[1] Complaints and appeals to the Council of State have proved useless; in every case the highest administrative court of appeal has upheld the rights of the councils-general to complete control. Cf. Dubois, p. 72; Simonet, p. 599.

several communes among themselves." The roads take legal standing according to their classification made for (*a*) and (*b*) by the council-general: for (*c*) by the Departmental Commission—a supervising committee elected annually as directed by the Law of 1871 for the purpose of watching the administration of departmental affairs by the Prefect while the council-general is not sitting: that is, for forty-six weeks out of the year. Appeals from its decisions go to the council-general. The technical service of the two former classes is in the control of the Prefect, that of the third in the hands of the Mayor. This division of control is the result of the financial distribution; the resources of the first two classes are mainly departmental, in the third they are almost exclusively communal.

A notable fact in connection with the expenses of maintenance of the chemins vicinaux of the first two kinds, "de grande communication" and "d'intérêt commun," is that while the supplementary contribution of the communes is an obligatory expense, that of the departments is not so. The communal quota is fixed annually by the council-general of the department as a compulsory payment within the limits of the Law of 1836, which specified as a maximum for the chemins de grande communication two-thirds of the product of the five special additional centimes and two out of the three days' labour (or the equivalent in money). The same law did not lay down any restrictions with regard to the second category—d'intérêt commun. The communal contingent for these roads may be any sum, drawn from the general resources of the communes, after those with special limitations as to the object on which they may be spent have been deducted. In fixing the annual contingent regard is paid, though in rather arbitrary fashion, to the general resources of the communes and their liabilities with respect to the two remaining classes, chemins vicinaux ordinaires and chemins ruraux (footpaths mostly), for which they are entirely responsible.

For the maintenance of these latter roads and paths the communes must apply (1) all their ordinary resources; if

these are not sufficient, they must have recourse to either (2) three days of prestations; or (3) five centimes additionnels to the four direct contributions; or (4) both of these means. Within the limits of all these four methods the maintenance of the small roads and paths is compulsory on the commune. If the commune does not avail itself of these resources, the Prefect can inscribe in their budget, by virtue of his office, the sums he considers necessary to keep the "petite vicinalité" in good condition.[1] Towards the expenses of these small roads the communes often receive grants and more frequently loans from the central authority, which at the same time generally lays down the condition that an equal sum shall be raised voluntarily by the commune from its optional resources. Other revenues which the communes may at their option apply to the service of the roads are extraordinary centimes, three special centimes allowed by the Law of 1867, and finally their eventual resources, which are: (1) voluntary contributions of interested persons; (2) industrial subventions; (3) the subvention granted to them voluntarily by the departments; (4) loans.

The expenses of construction of the district and communal roads are paid in varying proportions by the central authority, the departments, and the communes. This triple division was anticipated by the Law of 1836, but the present regulations have their origin in that of March, 1880. In the intervening period large sums had been granted in different finance laws for the purpose of subventions and to afford facilities for departmental and communal loans. The latter expedient was rendered easier by the establishment of a special loan fund in 1868—the Caisse des Chemins Vicinaux.[2]

Only in cases where the total of all ordinary and special resources are insufficient to enable the commune to undertake the construction of a desirable new road is a subvention granted by the department and by the State. The amount of the subsidy varies in accordance with a scale, included

[1] Simonet, p. 605.
[2] For Caisse des Chemins Vicinaux, see P. Dubois, p. 78.

in the Law of 1880,[1] from 80 per cent. of the excess of the estimated cost over any available funds in communes where the levy of a centime realises only 20 francs, to 10 per cent. in the case of communes where an additional centime yields 900 francs. The division of the amount of the subsidy is afterwards made, as between the State and the department, according to a second table of the same law. The share of the State varies inversely, according to the value of the departmental centime, from 80 to 10 per cent. These subsidies, both from department and State, are optional, and are only granted on proved necessity of assistance and the desirability of the contemplated extension.

If the council-general of a department is desirous of constructing a new means of communication, which is afterwards to be classed as belonging to one or other of the two classes of district roads for which the department is administratively responsible—*i.e.*, those "de grande communication" or "d'intérêt commun"—the State grants assistance by way of subsidy, arranged in agreement with the third schedule of the Law of 1880, on condition that the council proves its inability to make the improvement unaided. The part of the State rises to 50 per cent. of the expense where the centime value per square kilometre is less than 2 francs; it falls to 10 per cent. where that value is higher than 9 francs.

To meet the expenditure on the roads the department has at its disposal the ordinary and extraordinary resources, comprising especially the product of the 10 centimes specially levied for that specific purpose on the authority of the Law of July 13th, 1900. The maximum was fixed for the first time by the legislation of 1836; it was then 7 centimes levied on the principal of the four direct contributions.

The specialisation of these centimes is not so rigorously applied as is that of the centimes specially raised for cadastral purposes. The council-general may apply part of the product to other purposes; but if it does so, it forfeits all claims to subventions from the State under

[1] Dubois, "Le Budget Départemental," pp. 79 *sq.*

the terms of the Law of 1880. The centimes for the vicinalité are, in actual practice, ordinary centimes introduced into the departmental budget under cover of the presumed necessities of the road service.

The method it shall employ in the administration of the roads is left entirely at the discretion of the council-general.[1] At present forty-six of the departments employ surveyors and undertake the work directly, thirty-eight of the departments avail themselves of the ponts et chaussées service of the national roads, and three of the departments employ both methods (Charente Inférieure, la Corse and Maine-et-Loire).

Numerous discussions have taken place on the advantages of both systems, and opinions are divided. While the national engineers are generally more highly skilled, they are often removed to other districts, and are thus rendered too independent, it is thought, of the Prefect and the council-general. From a financial standpoint it is difficult to judge of their respective merits, as both systems, according to conditions, yield favourable and unfavourable comparative results. Moreover, the determining consideration in many instances seems to be rather of a political than of an administrative nature.

PRIMARY EDUCATION IN FRANCE.

In France the Revolution did little more than foreshadow vast schemes of educational reform, the realisation of which was reserved for almost a century later.

The administrative genius of Napoleon, which has left so strong and abiding a mark on most French institutions, was entirely confined in the province of education to the foundation of the university in 1808, and the organisation of secondary education "as a combination of the convent and the barrack."[2] For primary instruction nothing was done. It remained as it had been under the ancient régime a purely local service almost entirely in the hands of the

[1] By Law of 1871.

[2] P. Ashley, "Local and Central Government," p. 110.

ecclesiastical authorities. Even in the towns, where the expense was generally borne by benevolent foundations or charitable institutions, the really communal school was the exception. For the general supervision of those higher branches in which the central government had begun to interest itself a Ministry of Public Instruction was created under the Restoration; but till Guizot became Minister between 1832 and 1834 no progress was made in the matter of provision for general education.

The Law of 1833 first imposed on each commune (either alone or in combination with others) the obligation of providing at least one primary school. The cost was at the charge of the family, but if the parents had no resources, the burden was to be borne by the commune, with the help, where necessary, of the department and the State.

The Law of 1850, while recognising two types of schools—the communal schools under central control and the voluntary supported schools, which were free from central supervision except in the matters of public health and morals—maintained this financial distribution, and made provision for the obligatory establishment of separate girls' schools in communes of over 800 inhabitants, and for the starting of adult classes and technical instruction. A loophole was unfortunately allowed in this law, which some of the more retrograde departments were not slow to avail themselves of: the provision of training colleges for teachers was made an optional expense. This defect remained until remedied by the first school law of the Republic, passed almost on the morrow of the definite triumph of the Republican party, August 9th, 1879, which reimposed the obligatory character of this branch of departmental expenditure.

A growing sense of the national character of elementary education, combined with the desire to extend opportunities of improvement to portions of the populace hitherto untouched, procured the passing of a Law in 1867 which authorised the communes to give free education, provided that they themselves levied 4 centimes additionnels extraordinaires to the four direct contributions. On this

condition they were admitted to subventions from the State. After inquiry into the necessities of the parents, lists of such children as required free tuition were drawn up by the mayors, and in most of the communes the numbers of "free" children grew so rapidly that they soon outnumbered the "paying" ones.

The increase in the number of public primary schools from 43,843 (in 1850), and in the numbers of scholars enrolled, 2,601,619 (in 1850), to 59,375 school buildings (in 1875) and scholars, 3,849,953 (in 1875), led to the central government making large grants for school buildings, and the numbers again rapidly rose in the following decade, especially after the laws of 1881 established the principle of free education, and that of the succeeding year made it compulsory between the ages of six and thirteen years, to 66,123 schools and 4,463,372 scholars.[1] The obligatory burdens on the local authorities had become so heavy that a rearrangement was inevitable, and the legislation of 1889 gave the service its present preponderantly national character.

By the enactment of this Law of July 19th, 1889, the Laws of 1881, 1882 and 1886 which re-organised[2] the primary schools on a new basis and re-arranged the scheme of secondary education, were somewhat modified, and the proportions in which the State, the departments, and the communes should contribute to the provision and maintenance of public instruction were laid down.[3]

The State took over entirely (*a*) the salaries of the teachers of elementary, maternal, primary superior, and manual schools; (*b*) the salaries of directors of superior schools

[1] The grants for school buildings were; in 1880, 25,521,197 francs; 1881, 28,308,099 francs; 1882, 34,309,151 francs; 1883, 34,075,408 francs; 1884, 25,826,638 francs.

[2] The Law of 1881 made primary schools free; that of 1882 made attendance at them compulsory; the Law of 1886 ensured definitely "lay" administration.

[3] It is curious to note, as marking the new estimate of the importance of education, that in the Communal Law of 1884 the maintenance of primary schools is included in "obligatory" services under the heading of "Upkeep of Town Hall" (Entretien de l'Hôtel de Ville). (Dep. Oblig. Ord. art. 136, No. 1. Law of April 5th, 1884.)

and of those conducting supplementary courses of study in higher subjects; (*c*) the salaries of the professors in the training colleges for teachers; (*d*) the salaries of those engaged in administration or in the inspectorate, with expenses of visiting the schools; (*e*) the maintenance of scholars in the training colleges, and any other expenses of these establishments not allocated to the departments.

To the departments were apportioned as obligatory services: (*a*) the provision of dwellings for primary inspectors; (*b*) the maintenance or hire of buildings for training colleges; (*c*) the upkeep and renewal of the furniture and educational material of these training colleges, and of the offices of the administration of public instruction in the department; (*d*) official expenses of academy inspector; (*e*) allowances to heads of workshops, foremen and workmen entrusted by the department with agricultural, commercial or industrial instruction in the primary schools of all kinds and in the manual schools.

The provision of (*a*) school buildings and (*b*) their equipment with material was the share allotted to the communes;[1] this applies to elementary and superior primary schools; school buildings and (*c*) teachers' houses must be provided by them, by erection, purchase or hire, and in cases where, as in the large communes, no teacher's house is thus provided, an indemnity (*d*) in lieu of a house must be paid to the teacher, man or woman. These obligations also cover: (*e*) expenses of cleaning, lighting and renewal of accessories, (*f*) cost of printing registers, etc., and (*g*) allowances to those engaged in agricultural, commercial and industrial instruction, and (if the commune possesses one) to the domestics engaged in the maternal school.

Ways and means for carrying out these statutory obligations are provided, as regards the central government, by

[1] The outlay on buildings of schools in 1870—1900 was for all France over 850,000,000 francs, including fifty-one millions for normal schools. The percentages borne were by—

	State.	Departments.	Communes
For normal schools .	. 38	59	3
,, primary schools .	. 40	4	56

means of annual credits inscribed in the budget of the Ministry of Public Instruction; to meet them, 8·12 centimes additionnels généraux on the four direct contributions are levied, and the amount is inscribed in the State budget. The centimes previously levied by the departments and the communes pass to the budget of the State, and for those parts of the service which were met by them and have been transferred to the central government, the State is now responsible.[1] For those branches of the service which are still incumbent on the departments and communes, credits are annually opened in their budgets under the general head of obligatory expenditure, and met out of general revenue.

Looked at generally from the point of view of the primary school teacher, the central government pays the bulk of his salary, the department affords him training facilities and inspects his work, the commune provides him with school, lodging, material and general working expenses.[2]

The financial results of this legislation, and the reasons for it, may be gathered from the Table IX. in the Appendix.

To these expenses, since 1889, must be added the compulsory and optional expenditure of the departments which is still maintained. As illustrative of the part still occupied by the department in the financial administration of secondary and primary education the following short analysis will serve:—In 1903 the total expended by the eighty-six departments under the general heading of public instruction was 5,169,663 francs, giving an average expenditure of 60,112 francs. During recent years this total has been fairly steady,

[1] "By the simple expedient of handing over to the Treasury instead of the communes the proceeds of the four centimes additionnels on the four direct contributions to the State, the teachers at once became full-blown State functionaries, the money for salaries was pooled, gross inequalities abolished, a minimum living wage adopted, the teacher rendered independent of the local authorities for his salary. Indemnities for residence were arranged on a sliding scale according to population over 1,000 inhabitants, the minimum being 100 francs." (See Special Board of Education Reports, Vol. 7, p. 33.)

[2] Subventions are granted still by the State towards building of schools. Article 74 of the Budget of 1901 provides "les subventions s'élevant à six millions de francs pour le service des constructions scolaires (enseignement primaire)."

with a slight upward tendency. If now we take the Département du Pas de Calais for 1906 we find a total expenditure in that department for public instruction of 71,701 francs.[1] The chief items for primary instruction are subventions to communes for acquisition, construction and repairs of schools, for renewal of furniture, assistance to sick teachers, publication of Departmental Bulletin of Public Instruction and expenses of departmental committees and printing. For secondary education the departmental authorities also contributed towards the salaries of the secretary and clerks of the academic inspector, and of the inspector himself.[2]

THE POLICE IN FRANCE.

A notable feature of police organisation common to France, Belgium and Prussia is the gendarmerie, a force organised on a military basis, largely composed of old soldiers, entirely in the control of the Central Executive or its territorial delegations, maintained almost exclusively by the Central Exchequer, and formed "for the preservation of general security and order." These remnants of the ancient monarchic forces, established for the support of central absolutism are, however, nowadays merely military forces told off to public duties anywhere on the "request" of the civil authorities.

In France the gendarmerie is a force organised and paid by the War Office,[3] although it has relations also with the

[1] For details see Budget of Pas de Calais Department for 1906, Ch. XIV., p. 36.

[2] For purposes of educational administration France is divided into seventeen "university regions." Each region consists of a group of contiguous departments; at its head is the rector—who supervises university, secondary and primary education. Primary and secondary schools are visited by the academic inspector in each department. Cf. Ashley, "Local and Central Government," p. 113.

[3] The numbers of the gendarmerie in France in 1909 were: mounted men, 10,174; on foot, 10,863; officers, 590. By the new and slightly higher tariff of pay, established by decree of May 26th, 1909, the ordinary gendarme receives (according to years of service): mounted, 4 fr. 23 c. to 4 fr. 46 c.; foot, 3 fr. 68 c. to 4 fr. per day. See L'Echo de la Gendarmerie Nationale for June 6th, 1909, p. 360. The cost to the State of the Prussian gendarmerie was in 1904 thirteen million marks, in

Ministries of the Interior and of Justice; it patrols town and country, but looks especially after the country districts;[1] it acts under orders from its own military officers, whom the Prefect for the department generally, and the police commissioner or mayor in the communes, "requests" to furnish aid in the punishment of crime or establishment of order. Its powers of control and surveillance may be sub-divided into (*a*) political, dealing with dangerous strangers, strikes, riots and general supervision of frontier stations, border departments and ports; (*b*) administrative, especially concerned with emigration, passports, railways, roads, race-grounds and public amusements; (*c*) special supervision of clubs and cafés, and the watching of suspects and discharged prisoners.

In Belgium there exists a very similar force, connected with the Ministry of the Interior, paid by the War Office, and in its operations for the preservation of general order and public safety at the command of the governor of the province and the police commissaire of each arrondissement.

The immediate command of the Prussian gendarmerie (which is under the general supervision of the Ministry of the Interior) lies with its officers, who act on the instructions of the President of the Government district in the provinces and town circles, of the Landrath in the country circles, and of the Amtsvorsteher, or justice of the peace, in the smaller communes.

This force of gendarmerie, which is essentially constituted as a "State police," is the outcome of a strict division made in each country, between "general" police powers, which are esteemed to reside only in the Central Executive and its

1907 sixteen million marks. In Belgium the gendarmerie cost the Central Exchequer in 1904 about seven million francs. It may be noted also that since 1846 the Royal Irish Constabulary has been administered and provided for wholly by the Imperial Exchequer; the annual charge having risen from £543,534 in 1852 to £1,378,516 in 1896.

[1] For special functions of police in France, see Simonet, pp. 438—444; for Prussian gendarmerie, see H. de Grais, p. 320; and for relations of different ministers to "general police," Leroy Beaulieu, "L'Administration Local en France et en Angleterre," pp. 152 *sq.*; and Laufer, p. 20.

representatives in the various grades of local circumscriptions, and "local" police powers, which have been, by the grant of powers of self-government, gradually extended to the local authorities who exercise such limited functions chiefly relating to local bye-laws and regulations, in their municipal or rural areas.

In the communes of France technical responsibility for the police lies with the police commissaire, who acts under the Prefect's orders in matters of general interest;[1] he has also control of the municipal police agents (sergents de ville, agents de police, gardes champêtres,[2] etc.), and obeys the instructions of the mayor in local matters which lie within the mayor's jurisdiction, or in more important matters over which he has control, subject to the approval of the Prefect. There must be a commissaire in every commune of from 5,000 to 10,000 inhabitants, and an extra one for every additional 10,000.[3] In the large towns also a central commissioner with powers of administrative control over his colleagues is appointed. The commissioners of the smaller towns are nominated by the Prefect, who can also suspend them and dismiss them with the approval of the Minister of Interior; in towns of over 6,000 inhabitants the commissioner is nominated by the President of the Republic on the recommendation of the Minister. Beyond their salaries—graded in four classes from 4,000 francs to 1,500 francs plus expenses allowances of from 800 francs to 300 francs—they are expressly forbidden to receive any perquisites or considerations of any sort, in money or kind, from the communes. Central commissioners receive 5,000 francs salary and an extra 1,000 francs for office charges.

With regard to the auxiliary officers of all grades, the municipal law of 1884 lays down that in all towns of 40,000

[1] See Leroy Beaulieu, "L'Administration Local en France et en Angleterre," pp. 152 *sq.*

[2] "L'article 58 de la loi du 3 brumaire an V., avait prescrit la création de gardes-champêtres; ils étaient alors bien plutôt gardiens de la propriété privée qu'officiers de police," Acollas, "Finances Communales," p. 73.

[3] Decree of March 28th, 1852, cf. Schonberg III. (2), p. 27.

or upwards (with the exception of Paris and Lyons, which have special police organisations) the personnel of the police shall be regulated on the advice of the municipal council by decree of the President of the Republic, who may inscribe the necessary expenses, if they be not allocated by the council. In all other communes, whatever their population, the inspectors, constables and agents of all kinds are nominated by the mayor, with the approval of the Prefect or sub-Prefect.[1] They may be suspended by the mayor, but only the Prefect can dismiss them. Where there is no commissaire, they are under the immediate control of the mayor, not of the council.

In principle the expenses of the "general police," which, in addition to the pay of the gendarmerie, consist mainly in salaries and indemnities for lodgings to functionaries and agents who are engaged in this service, are borne by the Central Government; the expenses of the municipal and rural police fall on the communes and are "obligatory." The officers of the two latter branches must, however, watch over, and report breaches of, general police regulations.

Police fines are for the most part divided between the departments and communes.

The expenses of police at the charge of the State, which are inscribed in the budget of the Ministry of the Interior, were, for 1892, as shown at top of page opposite.

The cost of the gendarmerie was borne by the credits voted for the Ministry of War.

The communal expenses, which are obligatory, arise from salaries and office expenses allowed to the commissioners of police; the salaries of inspectors, "agents de police," gardes champêtres, and other auxiliaries cannot be imposed by superior administrative authority.

[1] The roll of the police for all France in 1898 comprised: Gendarmes, 20,955; commissaires, 1,113; agents de police, 15,501; gardes-champêtres, 32,256; occasional police (auxiliary), 44,045; forest guards, 7,738; roads and bridges police, 4,280; total strength, 125,888.

	Francs.
Special frontier and port police	473,500
Special interior (railways, 191 commissaires and inspectors, special difficulty towns)[1] . . .	279,300
Subventions to commissariats of police[2] . . .	372,513
Indemnities for removal and other expenses[3] . .	100,000
Subvention to city of Paris for municipal police[4] .	7,982,575
Police expenses of Lyons district	1,028,486
Secret agents[5]	1,600,000
	11,836,374

With regard to police courts, assize courts and prisons, the local compulsory burdens are thus distributed :—

I. The Communes.

(*a*) Must pay for the hire and repairs of the courts of the justices of the peace, and purchase and maintain the furniture.

(*b*) Surrounding communes must contribute to upkeep of assize courts.

(*c*) All communes must pay for publication, printing, etc., of police regulations.

(The communes *may* pay for police clothing.)

(The communes may pay indemnities for lodging of justices of peace who sit for other purposes: *e.g.*, arbitration, trade disputes, etc.)[6]

[1] At different points some commissariats were created by reason of special necessity for preserving order. Although these commissaires and inspectors exercise functions similar to those of the municipal police, they are paid not by the municipality but by the State (Loi de Pluviôse, an VIII.), see Léon Say, "Dictionnaire des Finances," Vol. II., and "Dictionnaire de l'Administration," by M. Block, p. 1084.

[2] The State comes to the financial aid of a certain number of communes which, although not over 5,000 population, yet recognise the necessity of having a commissioner of police.

[3] Special payments to officers for additional services, or for work in another department.

[4] In 1906 the expenses of the Prefecture of Police in Paris were 36,753,921 francs, and the receipts (including the State contribution of ten millions) were 12,914,995 francs.

[5] Political police, mainly concerned with watching secret societies, etc.

[6] See Acollas, p. 79.

II. The Departments.[1]

(*a*) Expenses of barracks of gendarmerie, hiring, lighting, repairs; and indemnity of thirty francs a year to each gendarme.
(*b*) Heating and lighting of all local courts.
(*c*) Upkeep of building of assize courts.
(*d*) Upkeep of buildings used as civil courts.
(*e*) Petty expenses of justices of the peace.
(*f*) Construction and maintenance of departmental prison buildings.

From the State the departments receive subventions for the lodging of officers of the gendarmerie, and towards the construction of prisons; they also receive contributions from some of the communes towards the barracks' expenses of the gendarmerie brigade.

The Law of October 6th, 1791, gave to each commune the option of having one or more gardes-champêtres, and authorised the poorer communes to unite for that purpose. Ten years later the privilege of association was withdrawn, and the appointment of a guard made compulsory. The expense proving excessive in many cases, the administrative authorities did not apply this law rigorously, and a considerable proportion of the communes have never had a guard. The Municipal Law of 1884 makes the appointment optional to the municipal council; but, once the number is fixed, the Prefect may object to any reduction. These officers are nominated by the mayor, and approved and commissioned by the Prefect or sub-Prefect, who alone can dismiss them. Outside their primary functions of securing rural security (especially of harvests, preserves, woods, etc.), each of them

[1] In the departmental accounts of Pas de Calais for 1906 these expenses were: (*a*) 97,840 francs, (*b*) and (*c*) 19,030 francs, (*d*) 8,675 francs, (*e*) 3,000 francs, (*f*) 13,763 francs (of this 7,500 francs was a subsidy from the State towards new prison at Boulogne). The receipts were: (1) State subvention for lodgings of officers of gendarmerie, 1,560 francs; (2) State subvention for new prison, 7,500 francs; (3) Contribution of commune of Neufchâtel for barracking a brigade of gendarmes, 650 francs. Police fines go either to commune, or informing agent, or department.

must note and report any contraventions of the general or municipal police regulations.

Practically all the European capitals have a special police organisation, entirely in the control of the Government and heavily subsidised by it.

Thus in Paris the budget of the Prefect of Police is entirely separate from that of his colleague, the Prefect of the Seine. The municipal council is bound to appropriate needful funds, without any diminution; nor is the Prefect of Police answerable to the council for his manner of disposing of it. But he is, in practice, checked by his presentation of a very detailed budget, and the audit which his accounts undergo at the Ministry of the Interior. The State contribution to the police of Paris, the garde republicaine, was, in 1905, 12,752,395 francs, and in 1906, 12,914,995 francs, out of a total expense of the prefecture of police, in 1905, of 35,653,611 francs and in 1906, 36,753,920 francs; or about one-half of the cost of police service proper.[1]

In Berlin the municipal police, night-watchmen and fire department cost, in 1891, 3,290,154 marks; in 1892, 3,331,669 marks; and in 1904, 6,721,406 marks, which was paid out of the city revenues; but the "general" police belong to the Prussian royal force of gendarmerie, and these were paid, to the amount of 14,380,000 marks in 1898 and 18,800,000 marks in 1905, out of the Prussian State Exchequer.[2]

In London the State contribution to the metropolitan police force, dependent on the Home Office, had risen from £98,567 in 1842 to £545,329 in 1886, and £582,939 in 1889, when the grant ceased to be made by Parliament on the passing of the Local Government Act.[3]

[1] Cf. "Municipal Government in Continental Europe," p. 39, by A. Shaw.

[2] See "Statist. Jahrbuch für den preuss. Staat"—Die Staatsausgaben, 1908, p. 218; see also Diplomatic and Consular Reports, No. 487 of 1899, p. 11. For State and communal police in Prussia, see F. Laufer, "Unser Polizeiwesen," pp. 17 *sq.*

[3] Under section 24 (2) k. of that Act, the councils of the counties within the metropolitan police district are required to pay to the receiver of the metropolitan police district a sum equivalent to that which, according to the certificate of the Secretary of State, would have

PUBLIC ASSISTANCE IN FRANCE.

In France, as in all the Latin countries of the Continent, the care of the poor was, till the period of the Revolution, left entirely to the ecclesiastics and private benevolence. Although the Constituent Assembly declared the duty of maintaining the poor "a national obligation" and proceeded to sequestrate all charitable funds and bequests whence relief had hitherto been given, substituting for them an annual national credit, the new departure proved a dismal failure, and return was soon made to the old conditions.

While in Prussia the duty of providing for its destitute poor is laid as an obligatory duty on each commune, and in Belgium the communal authority is compelled to meet any deficiency in the resources of the separate relief bodies, in France, on the other hand, until the comparatively recent development of special forms of public assistance was inaugurated, no financial legal burden rested on the communes at all. It is for this reason that regulations determining "settlement," which figure so prominently in English, Prussian and Belgian Poor Law administration, are in France quite fragmentary and feeble, and relate almost entirely to the later developments of specialised assistance. In the opinion of competent French administrators the poor have no legal right to relief; their claim is but a moral one. "In spite of the wording of certain laws which may be taken in the opposite sense, this has always been the point of view of the French nation, and it has always been carried out in practice."[1]

The central authority intervenes only in a subsidiary manner in the domain of public assistance;[2] it confines itself to

been contributed out of the Exchequer under the arrangement in force during the financial year preceding the passing of the Act; and by section 27 (1) of the Act, such payments are to be made out of the local taxation account to the receiver, and the amounts deducted from the sums payable from that account to the county councils. The salaries of the commissioner, assistant commissioners, and receiver of the metropolitan police are, however, still payable from an annual parliamentary vote." Fowler's Report, 168 of 1893, p. 80.

[1] Maurice Block in "Poor Relief in Different Parts of Europe," p. 202.

[2] See Simonet, pp. 686 *sq.*

directing and in a general way controlling the main lines of administration of all the relief agencies, including local authorities and other recognised public bodies engaged in this work, and to assisting the localities in dealing with certain categories of misfortunes for which the communes and departments are unable from their own resources sufficiently to provide.

This general central supervising function has been in recent years greatly facilitated by the issue of decrees in January and March, 1899, which unified and co-ordinated several services which previously had been in need of co-relation, and also created at the Ministry of the Interior a Central Direction de l'Assistance et de l'Hygiène Publique, and a consultative Conseil Supérieur de l'Assistance.

For Paris there has been special legislation, and a special organisation set up.[1] This consists of a central board of the two Prefects and eighteen other persons, of whom five are nominated by the President of the Republic, the remainder being representatives of the municipal council, the councils of the various arrondissements of the capital, the bureaux de bienfaisance, the Council of State, the Court of Cassation, the Chamber of Commerce, the labour unions, and the medical profession. In each arrondissement is a bureau de bienfaisance, made up of the mayor and twelve administrators, half nominated by the Prefect of the Seine and half by the municipal council, whose main functions are to report to the central board and to distribute grants. The arrondissements are again sub-divided each into about twelve districts, so that each member of the bureau may have intimate local and personal knowledge of all claimants for relief.

The State subventions, apart from the share which it takes in the continuous support of the separate and special categories of public assistance already referred to, take the form of special relief accorded to necessitous districts for unforeseen distress occasioned by floods, storms, and accidents. Every year the State Budget contains a number of credits destined to subventions of that nature. Thus, notably, a special fund of succour is put at the disposal of the Minister

[1] Cf. Ashley, "Local and Central Government," p. 108.

for Agriculture for distribution among such departments as may suffer from exceptional visitations of hail, inundations, or fire, and, on the authority of special laws, widespread scourges or plagues affecting agricultural operations and crops. Similarly, by a Law of 1901, credits are allotted to the help of families of reservists or of troops serving with the colours.

Postponing to a later stage the consideration of the part played by the departments in the scheme of present day public assistance, it will be convenient next to turn our attention to the communes.

It must be observed that the communal authority is not responsible as such for poor relief. The separation of responsibility of the council from the particular associations dealing with relief is complete.

Communal assistance consists of two principal branches:[1] (1) The hospices and hospitals which receive as in-patients the old, sick, and incurable poor, and are partially maintained by subscriptions and donations; and (2) the bureaux de bienfaisance, whose essential function is to distribute relief at the homes of the indigent and casual poor. Municipal lists are annually made up of those in need, who, however, as already pointed out, are "not regarded as having a legal right to relief, but only a moral claim."

The hospices and hospitals are communal establishments to which the departments may, and often do, render financial assistance by small subventions in the case of the poorest communes. Both hospitals and hospices have, however, not yet been established in most of the small communes; bureaux de bienfaisance, though growing in number and favour, still only exist in the more important districts, their place being occasionally taken in smaller communes by a similar but much smaller voluntary institution called a bureau de charité.[2]

[1] Cf. Leroy Beaulieu, "L'Administration Locale en France et en Angleterre," p. 244.

[2] The council-general of the department of Hautes-Pyrenees passed the following resolution in 1888: "Vœu qu'il soit presenté un projet de loi sur la création d'un bureau de bienfaisance obligatoire pour toutes les communes." See Analysis of Resolutions passed by the councils general of the departments in their sessions of April and August, 1888. (Supplement au Bulletin Officiel du M. de l'Intérieur, 1889.)

The bureaux de bienfaisance can be created by a decree of the Prefect on the advice of the municipal council, to whom the initiative in this matter is entirely left. Where they exist, they are under the immediate control of the mayor and six members, who are in office for three years, one third retiring each year; two of the members are elected by the municipal council and four nominated by the Prefect. The organisation is determined by a Law of 1879, and all the appointments are revocable by the Minister of the Interior, and liable to suspension by Prefect and Minister. The Prefect supervises all the operations of these administrative commissions and may require copies of the regulations, plans of meetings, method adopted for administration, and other details to be submitted for his approval. In the towns the bureaux often have a paid Secretary, but all the other administrators are unpaid. The budgets and accounts must be annually submitted to the Prefect—or the sub-Prefect, who represents his superior in his own arrondissement—and all loans and sales must be approved by him.

The resources of the relief establishments of the communes consist of the revenue from their property and investments, part of the burial fees in cemeteries, collections in the churches, municipal grants, gifts and legacies (which can only be accepted by the consent of the Prefect if they are in value over 3,000 francs and there are other claimants to the bequests), the product of the "droit des pauvres" (*i.e.*, the proceeds of a percentage tax, varying from 10 to 25 per cent., on tickets of admission to theatres, concert halls and other occasional festivities and entertainments) which the communal council may, but is not bound to levy.[1]

The municipal grants are also entirely voluntary, and depend on the necessities of the commune and the amounts recoverable from all other sources. The grants exhibit a marked stationariness over a long period. In 1860 they were 12½ million francs out of a total of ordinary receipts of all the bureaux of 48½ millions; and in 1899 they were 13¾ millions out of a total ordinary of 38½ millions (the decrease

[1] For "droit des pauvres" in France, see Simonet, pp. 705 *sq.*

in total will be seen from the tables in the Appendix to be due to fall in rents from property from 14 millions at the earlier date to 4 millions in 1899). The poor tax was also practically the same amount at both dates (1899, 1¾ millions).[1] Since 1899, however, the communal subventions have steadily risen to 15½ millions in 1906.

The mayor has the legal right to control the administration of all charitable bequests, and even to apply them to a new purpose which in his judgment would operate more beneficially in the interests of the commune. Where there is no bureau de bienfaisance the supervision and entire control of all relief receipts and payments rests absolutely within his discretion.

Passing now to the consideration of the place occupied by the departments in the latter-day organisation of public assistance, a glance at the figures shows that, after the service of the roads, the heaviest charges on the departmental budgets are those in connection with the various institutions for such categories of public assistance as lend themselves to collective treatment of necessitous cases drawn from a larger area than the commune. Recent legislation has tended to considerably increase those burdens. The kinds of assistance granted have become more varied and specialised, and the numbers of those in receipt of aid of every kind have steadily grown. For administrative and financial reasons the bulk of the additional aid given has been thrown on the resources of the departments. The main outlines and proportions of this group of services as it affects the departments may be seen from the figures given in the table on page 181 for all France.

The departments are bound to organise these different services, but the expense is shared by the State, the departments, the communes, and the families of those assisted in varying proportions.[2]

The domiciliary claim to relief—domicile de secours—settlement"—was fixed by the law of 24 vendémiaire,

[1] "The 'taxe des pauvres' is opposed to our customs and the principles of our legislation."—Maurice Block.

[2] See "Le Budget Departmental," by P. Dubois, pp. 99 *sq.*

THE DEPARTMENTAL EXPENSES FOR 1902 AND 1903.

	1902.	1903.
	Francs.	Francs.
Lunatics	27,186,033	28,614,324
Deserted children	29,992,896	30,578,946
Very young children	2,185,720	2,058,751
Free medical aid	9,710,554	10,411,709
Pensions to infirm and incurable and old	1,105,285	1,378,702
Various assistance to travellers, blind, deaf mutes, friendly societies, etc.	11,789,230	12,319,187
Total of public assistance expenditure	81,969,718	85,361,619
Total expenses by department on all purposes[1]	332,891,894	351,878,445

an II., modified by that of July 15th, 1893. The right is acquired—

(1) By residence of one year, after attaining majority, in a commune, or of six months, in the case of those who are married in a commune and come to live there.

(2) By parentage.

(3) By marriage (the woman takes the "domicile" of the husband).

(4) By place of birth.

At the time of claiming assistance the applicant must prove an uninterrupted period of residence of at least one year. If a communal "domicile" be denied, he may claim a departmental one.

LUNATICS.

The germ of the present system is to be discovered in the Law of March 16th, 1790, which laid down that those suffering from mental disorders were to be "visited by doctors for the purpose of determining whether they should

[1] In 1867 on the same group of services, the departments spent 20,455,358 francs, out of a total expenditure of 156,003,919 francs, or about 13 per cent.

be allowed their liberty or should be cared for in the hospitals." This provision remained a dead letter until an agitation, largely instigated by the medical profession, bore fruit, and the present system was fixed by law in 1838. The department must provide a public institution of its own, or make arrangements for the admission of patients into that of another department or into a private establishment. The Laws of 1866 and 1871 entrusted to the council-general the care of supervising the receipts and expenses of the service and of approving the arrangements made with other public or private bodies. Whether the departmental asylums have achieved civil personality is a debated question, but in practice the Prefect (who administers them on behalf of the Minister of the Interior) accepts all gifts and legacies in the name of the department. They are administered directly by appointed committees, unpaid, and by a responsible director. Although their financial statements are approved by the council-general, a decree of the Council of State in 1880 forbade the surpluses of the asylums being taken over by the departments. The expenses of transport, maintenance, supervision, and treatment of those placed by public authority in the asylums are ruled by tariffs drawn up by the council-general, and this applies whether they are in their own institution, or that of a neighbouring department, or in a private establishment.

The expenditure on lunatics is supported by (*a*) the patients; (*b*) their families; (*c*) the communes; (*d*) the hospices; (*e*) the departments.[1] If the patient has no resources the charge is made on those on whom he has a claim for means of mere subsistence in accordance with the Civil Code. In case of dispute the judicial tribunals settle the point. A decree of March 25th, 1852, had conferred on

[1] Léon Say, "Dictionnaire des Finances," Vol. 1, p. 119; "Les depenses effectués par les departements pour les aliénés à leur charge ont été, en 1879, de 16,480,215 francs ainsi repartis:—Fonds fournis par les communes (4,681,846 francs), par les hospices (43,201 francs), par les familles (1,000,889), par les départements (10,754,279 francs); total, 16,480,215 francs." In 1860 the part paid by the communes was 23 per cent. of the total; in 1872, 27 per cent., in 1879 28 per cent. Cf. Simonet, pp. 688 *sq.*; Dubois, pp. 102 *sq.*

the Prefect the right to dispense with this family contribution altogether in necessitous cases. The Council of State, by decree in 1892, transferred this function to the council-general.

In the case of the absence, or insufficiency, of resources on the part of the patient and his family, the charge is borne by the general ordinary budget of the department and recovered afterwards from the commune where the patient has domicile. The council-general has the final decision on the amount to be paid by the commune. The share of the commune is borne as an obligatory contribution, and the Prefect can, if necessary, insert the sum in the communal budget. The commune in turn can enforce its rights to reimbursement against the family of the patient or the patient himself in the ordinary judicial courts. The council-general, in determining the amount to be repaid to the department, pays regard to the financial resources of the commune as indicated in the value of the communal centime.

The proportion of the expense actually borne by the department is further lightened by the contribution from hospices, or benevolent institutions deriving revenue from legacies, gifts, and subscriptions, which before 1838 took charge of a considerable proportion of those mentally afflicted. These establishments are bound to contribute to the departmental treasury in proportion to the relief they experience through the erection of public institutions, based on the average cost to them of their patients during the years immediately preceding that date. Cases of dispute are settled by the prefectoral council.

ASSISTANCE TO CHILDREN.

The earliest trace of any Governmental care for children in need of material assistance, being orphans or deserted, is in the decree of June 28th, 1793, when the Convention declared that "all children without parents were adopted by the Fatherland." But for want of assigned resources this declaration remained a pious resolution. Modern

legislation on the subject was inaugurated by the decree of January 19th, 1811, strengthened by the Law of 1869, which reorganised the financial arrangements, and completed by the Law of July 24th, 1889, which created a supplementary service of "children morally abandoned."[1]

The legislation of 1811 made provision for three classes: (1) Children found (foundlings); (2) children deserted; (3) poor orphans. The later law grouped the three as "children assisted." The provision made by the Law of 1811 comprised (*a*) a nursery period up to six years of age, either in a hospice or in a country home; (*b*) a boarding-out period from six to twelve years of age; they were boarded out with agriculturists or artisans, sent to school, and visited twice a year by the administrative committee and by the doctor; (*c*) at twelve they were apprenticed. The State promised repeatedly to give assistance in this service, but, till 1869, very rarely did so. The law of that date divided the expenditure on children into three classes: (*a*) Interior expenses in the hospice; (*b*) exterior expenses; (*c*) expenses of inspection and supervision. The internal expenses consisted of cost of food, pay of nurses, and clothes while in a hospice. The external expenditure was on temporary succour while the case was being investigated—pay to cottagers, etc., for care of children, school fees, clothes, nurses, registers and printing, sickness and funeral expenses. Most of these were paid by a tariff drawn up by the council-general. The expenses of supervision were for inspectors, sub-inspectors, and attendants.

The more recent law has abandoned the old division and substituted for it:—

1. Obligatory expenses: Chapter I. of the Departmental Ordinary Budget.

2. Children assisted: Chapter VI. of the Departmental Ordinary Budget, which is one of the optional branches.

Part I. consists of (*a*) temporary succour pending investigation; (*b*) nurses' salaries; (*c*) boarding-out costs; (*d*) Premiums to nurses; (*e*) clothes for infants; (*f*) clothes for

[1] Cf. Simonet, pp. 695 *sq.*; Dubois, pp. 111

children under thirteen; (*g*) medical attendance; (*h*) industrial school expenses; (*i*) penitentiaries.

Part II. contains (*a*) salaries of admission clerks; (*b*) expenses of departmental establishments; (*c*) rents; (*d*) nurses' salaries in establishments; (*e*) allowances; (*f*) school charges; (*g*) dress of children over thirteen; (*h*) printing; (*i*) funeral expenses; (*j*) supervision of foundations; (*k*) repayment to outside departments; (*l*) creation of marriage dowries.

The purpose of this new division was to give the opportunity to the superior administrative authority of inscribing the Part I. in the budget of any delinquent department. The provision was not practically necessary at the time, as experience had proved that the departments as a whole were thoroughly alive to their responsibilities; but while the service was being reorganised the opportunity was seized of giving legal sanction to the minimum requirements.

The expenses are borne by the central government, the departments and the communes, after certain deductions have been made.

First of all the State has taken over entirely the expenses of inspection and supervision, and also bears all charges for children who have no "domicile de secours" or settlement.

Reimbursements are demanded from any property belonging to the children, from their families, and from any other department where the child can claim settlement or "domicile." The question of settlement long provoked contentions between the departments and the communes. The present practice is to charge temporary succour on the place of birth, other charges being borne by the department.

The revenues arising from any foundations, gifts or legacies are next deducted; then the sum equivalent to one-fourth of the correctional police fines paid in the courts within the area of the department. After these deductions have been made the remainder is paid thus: two-fifths by the State, two-fifths by the department, and one-fifth by the communes.[1]

[1] In order to induce the councils-general to assimilate these services, the State undertook, where this was done, to raise its contribution of

The supplementary service for "children ill-treated or morally abandoned" was added by the Law of July 24th, 1889. Ill-treatment is defined as "treatment compromising the health, security, or morality of the child." The loss of parental control is determined by the courts, and may arise through the parents being condemned for crime, or through vagabondage, drunkenness, or habitual and notorious misconduct.

An allied service is that of "infants of tender years." These are children under two years of age who are placed by their parents under charge of a paid nurse, outside of their own homes. Their supervision is provided by the local authority, and the expenditure is shared equally between the State and the departments. If the home is in one department and the nurse lives in another, the departments share the latter expense between them according to an allocation, based on the number of children, made every three years by the Minister of the Interior.

The expense of the latest development of this service, viz., of providing schools for children of special difficulty or exceptionally vicious tendencies, is likewise equally shared between the State and the departments, and forms for the latter an obligatory expense.

FREE MEDICAL ASSISTANCE.

This service was organised by the Law of July 15th, 1893.[1] Though the need of such a service had long been felt, and many departments and communes had supplied to the poor free medical aid, there was no legal obligation, and in many districts such relief as was granted was haphazard and uncertain. Now "every Frenchman sick and destitute receives freely from the commune, from the department, or from the State, according to his "domicile," free medical assistance at home or in a hospital."

one-fifth of the internal expenses, to which alone it was bound by the Law of 1869, to two-fifths of both internal and external expenses. Cf. Dubois, p. 112, n.

[1] See Simonet, pp. 701 *sq.*; Dubois, pp. 104 *sq.*

The commune, department, or State can exercise their rights of exemption from the burden against each other, and so also can all corporations which are bound to render assistance, notably against the family of the assisted person.

In every department there is now an organised service, and in each commune a special bureau. The administrative committee is formed from the hospices and bureaux de bienfaisance. The bureau of medical assistance has a civil personality, and can accept in its own name any legacies or donations. Lists of persons entitled to relief in the commune are drawn up annually.

For the indigent sick admitted into a hospital the Prefect, after consultation with the committees of administration, and with the approval of the council-general, fixes the price per day to the charge of the commune, the department or the State. The average cost per head of those admitted as patients of the last five years is taken as a base; the price must not be *less* than this. The average cost is struck after deducting from the hospital ordinary expenses, (*a*) expenses of management of property, (*b*) annexed services, (*c*) assistance at home, (*d*) buildings and improvements. The fixing of the price is entrusted to the Prefect on the assumption that he will be more impartial than the council-general, which might be tempted to economise at the expense of the hospitals.

The ordinary expenses of the service are:

(1) Payments to doctors, surgeons and midwives.

(2) Medicine and clothes.

(3) Expenses of maintenance in hospital.

These expenses are obligatory and shared by State, department, and commune in proportions fixed by articles 27, 28, 29 of the law.

The extraordinary expenses are the cost of enlarging and building of hospitals. The State contributes to these by subventions in aid, for which purpose a credit must be opened in every central budget (article 26).

How are these different expenses shared among the central

and local authorities? The communes must pay first; and for this purpose must apply (*a*) the part of the droit des pauvres, which is apportioned to the assistance given at home; (*b*) any special donations or legacies. If these are insufficient, and only in that case, the commune may vote additional centimes to the four direct contributions, or to the octroi taxes. The commune may not raise by these latter means less than 20 per cent., nor more than 90 per cent. of the total sum to be obtained. If the commune is thus driven to levy additional centimes, it receives a subvention from the department, which varies, according to a scale annexed to the law, from 80 per cent. (at most) of the amount to be raised by taxation in the case of communes where the centime does not realise 20 francs, to 10 per cent. at least in those where the centime realises 900 francs. In this way the departmental contribution is greatest where the communal resources are least, but the departmental contribution can never be more than 80 per cent. nor less than 10 per cent. of the produce of the additional centimes and additions to the octroi dues levied by the communes.

The department meets its obligations by the levy, if needful, of additional centimes to the four direct contributions. If the department is forced to levy additional taxation the State comes to its assistance with a subvention which varies from 16 to 70 per cent. of the sum necessary to be raised by such taxation.

The State assistance is in inverse ratio to the value of the departmental centime per square kilometre. When the value is less than 2 francs the central authority bears 70 per cent. of the expense; if the value is over 15 francs the State bears no more than 16 per cent.

The State further bears the whole expense for the treatment of those with neither a claim to a communal domicile nor a departmental one; and takes over the entire administrative charges necessary to put the law in execution (article 30). Any disputes concerning the allocation of burden go to the Prefectoral Council, with appeal to the Council of State.

The expenses of this service for 1900 were 9,877,143.79 francs, which were shared thus:—[1]

	Francs.	Percentage of Total.
Communes	5,837,496.31	59
Departments . . .	2,638,617.71	26.7
State	1,401,029.77	14.3
Total	9,877,143.79	100

ASSISTANCE TO INFIRM AND INCURABLE OLD PEOPLE. OLD AGE PENSIONS.

This service is of quite recent growth. Before 1899 such assistance as was granted by the departments and communes was entirely voluntary. The first law making it obligatory allied it to the service of free medical aid, and guaranteed a State subvention to those departments and communes which granted annual pensions of between 90 francs (minimum) and 200 francs (maximum) to persons of French nationality deprived of all resources, incapable of work, and more than seventy years of age, or through feebleness or incurable malady unable to sustain themselves.

The State, however, would only guarantee help in the provision of no more than two pensions per thousand of the total population, and the burden on the Treasury in any particular instance must not exceed 50 francs. A special credit was voted to be administered by the Minister of the Interior.

The Law of 1902 modified these arrangements in three respects:—(*a*) the minimum pension was reduced from 90

[1] With these figures may be compared those of 1903:—

	Francs.
Communes	6,629,801
Departments	3,232,160
State	1,713,763
	11,575,724

francs to 50 francs; (*b*) the State maximum for an individual was raised to 60 francs; (*c*) the contribution of the communes was lowered 10 per cent., and the quota of the central authority raised by the same amount.

The later law (which came into application January 1st, 1907) makes provision for this service by the department and communes obligatory, and gives right of appeal to the claimant from the municipal council to the canton committee, and from that to a central commission. The council-general has the general control of the service, and makes all arrangements about the monthly payments for its own claimants, and approves those of the communes. It draws up lists of the institutions which must render help, approves arrangements made with private establishments and the placing of those in relief in strange families, etc.

The assistance is in the main intended to be given at home but, where necessary, entry into a hospital is enforced. The communal council draws up the rate of relief, subject to approval by the council-general and the Minister of the Interior. The minimum monthly allowance is 5 francs, the ordinary maximum is 20 francs; any allowance between 20 and 30 francs is subject to veto by the Minister and the Central Council of public assistance; if it passes 30 francs the State and departments are not obliged to contribute.

Fears were expressed at the time that this new service might discourage the growth of ordinary thrift agencies; experience has not justified that misgiving. To guard against such an event, inducements are held out to stimulate the private provision for old age. When deductions are being made by the municipal council to determine the amount of monthly assistance to be awarded, the income from thrift societies up to 60 francs, or, in the case of those who have brought up three children to the age of sixteen years, 120 francs, is disregarded. Beyond these amounts the income from thrift sources counts for only one-half its real amount in estimating the monthly allowance; but the total income from all sources must not exceed 480 francs. Private help is left out of account unless its addition

would raise the total resources beyond the maximum of 480 francs.

The prices to be paid for those in any institution are drawn up by the Prefect, subject to a quinquennial revision. All these expenses are compulsory for departments and communes.

The communes apply, first, any special donations made to themselves, or to the hospitals or bureaux de bienfaisance for this object; secondly, any surplus fund of their ordinary budget. In cases where these are insufficient, the department grants aid, varying according to the value of the communal centime. The departmental grant is never more than 90 per cent. nor less than 30 per cent. of the amount necessarily raised by taxation.

If the department is compelled to resort to additional taxation to meet these burdens, the State grants help which is inversely proportional to the value of the departmental centime per 100 inhabitants. This last arrangement is an attempt to vary the central grants in proportion to the poverty of the districts. The State maximum is 95 per cent. of the total sum needed by the department, and its minimum is 50 per cent.

The State also takes over the whole charge of those with no domicile, and administrative expenses; it also grants a special contribution to those communes which are most heavily burdened in this respect. When a commune has a pension list exceeding 10 per thousand of its inhabitants the State grants a complementary subvention, the sole condition of its limits being that in any case the commune must bear at least 10 per cent. of the total outlay.[1] The practical effect of these changes is that while formerly a pension of 100 francs

[1] In the Departmental Budget for Pas de Calais (1906) the expense of the service was 97,000 francs which was covered by:—

	Francs.
(*a*) Contributions from Communes	32,400
(*b*) Subvention from State	16,100
(*c*) Departmental Share paid out of ordinary centimes	48,500
	97,000

See Chapitre 8, "Assistance et Hygiène Publiques," p. 31.

was shared in the proportion of 58 francs for the State, 24 francs for the department, 18 francs for the commune, now a commune which undertakes to pay only 9 fr. 60 c. thereby obliges the State and department to make up the remainder. The effect on the municipalities of this slackening of the financial rein remains to be seen.

A general idea of the proportions of the part played by subventions from the Central Exchequer in the financial resources administered by the local authorities in France may be formed from the subjoined details of grants made in 1902 :—

		Francs.
(1)	Parts of State taxes (patentes, velocipedes, etc.) handed over to the communes . . .	9,909,000
(2)	General subvention to necessitous departments	3,695,000
(3)	Subventions to communes for primary schools .	14,243,364
(4)	,, ,, ,, colleges . .	5,087,184
(5)	,, for roads to departments and communes	7,400,000
(6)	,, towards freeing of bridges, etc. .	170,000
(7)	,, to departments for asylums and other forms of public assistance	8,205,955
(8)	,, to communes for support of families of reservists, etc. . . .	500,000
(9)	,, to communes for fire prevention .	810,000
(10)	State subsidy to Paris police	11,021,505
	Total of State subventions to departments and communes	61,042,008

Of these items Nos. 2, 6, 7 and about one half of No. 5 went to the financial aid of the departmental authorities: in all 15,771,000 francs. As in the same year the total income of the departments was (excluding loans) 286,213,066 francs, their expenditure was covered to the extent of about 5½ per cent. by contributions from the Central Exchequer. The communes for the same year obtained 45 millions from national funds, which provided them with 5 per cent. of their total income of 806,244,021 francs.[1]

[1] See Kaufmann, "Die Kommunalfinanzen," pp. 423 *sq.* The above figures do not include any contributions of the State towards "Old Age Pensions." The Acts of 1902, and especially 1907, have sensibly increased the State's liabilities for that object. Cf. Dubois: "Le Budget Départemental," pp. 115 *sq.*, for details of this section. For "Old Age Pensions Act," 1910, see *Econ. Journ.*, December, 1909, and note at end of present volume.

CHAPTER XII.

Belgium.

Relations of Belgian Authorities.

In form, the Belgian organisation of local government and finance bears a very general resemblance to that of France. There is a similar gradation of spheres of control—province, arrondissement, canton, commune—and the same system of obtaining local revenues largely from additions to the direct State taxes. Certain important differences exist, however, as the outcome of the very divergent theories entertained in the two countries of the relations of the central authority to local bodies, and of the powers which it is desirable local authorities should exercise over local sources of revenue for their own purposes.

While in France the elective assemblies of the department and the commune are directly elected by universal suffrage, but the central authority exercises a very strict tutelage over both; in Belgium, on the other hand, universal suffrage has never been in favour, a minimum tax-paying qualification being insisted on, but the assemblies, both provincial and communal when once elected, have more real power of self-government.[1] This difference is due to the fact that, though after the annexation of Belgium by France in 1795 all ancient provincial and communal franchises were suppressed, and the acquired territory subjected to a strictly centralised control of the most stringent character, which was maintained till the fall

[1] The qualifications for provincial electors are (1) Belgian birth, or naturalisation; (2) Age, twenty-one years; (3) Payment of 20 francs yearly as direct State taxes. For municipal electors the qualifications necessary are similar except that the taxes paid must be not less than 10 francs. See Bernimolin, "Les Institutions Provinciales et Communales en Belgique," Vol. I., pp. 92 *sq.*, and 328 *sq.*; also Giron, "Essai sur le Droit Communal de la Belgique," p. 181.

of Napoleon; yet, immediately following that event, when the Belgian provinces were attached to the kingdom of Holland, there was a partial recovery of the old autonomous rights of local self-government by elective bodies, followed in 1831, on the separation of Belgium from Dutch influence, by a complete return to local freedom in matters provincial and communal.[1]

There still remains, however, a very considerable power in reserve to the central authority, as a survival of the French *régime*, in matters of general interest over both the important grades for self-government, namely, the province and commune. Even more than in France, the canton and arrondissement are mere sub-divisionary circumscriptions for military, election, and police purposes only; and they are not incorporated. The control is, it should be noted, not largely bureaucratic as in France, nor largely professional as in Prussia, but almost entirely in the hands of elected representatives. The control of the communes lies with the provincial assembly or its elected administrative committee. The control of the province, while generally exercised by the King and his Ministers, or their local representative, the Governor, is, in many vital matters, expressly reserved to the Chambers.

The nine provinces (Anvers, Brabant, East and West Flanders, Hainaut, Liège, Limbourg, Luxembourg and Namur) have their territorial limits and administrative organisation fixed by the Constitution and the Provincial Law of 1836. The area can only be altered by a special law with the consent of the provincial assembly. In keeping with Continental practice a strict division is made between the executive and deliberative elements in administration, the deliberative function being in the provinces entrusted to the Council and its permanent committee (Deputation Permanente) and the task of executing their decisions is reserved to the Governor, an official appointed, subject to no special conditions, by royal decree, who is, like the Prussian Chief President and the French Prefect, at once the sole

[1] See Bernimolin, Vol. I., pp. 55—90.

executive officer of the province as a self-governing area, and the representative of all the ministerial departments and the guardian of all the central interests.[1] He does not exert so powerful an authority as the French Prefect, and his powers are limited by the rights of the provinces and communes, as defined in their constitutional laws.

The Provincial Council is chosen by direct election for four years, half the members retiring every second year. It varies from ninety-two members for East Flanders to forty-one for Limbourg, each member representing from 5,000 to 11,500 voters. Unlike the Prussian provincial assembly, it is independent of royal prerogative, and meets without express convocation in virtue of the Provincial Law in July of each year. The session may last fifteen days. If necessary, extraordinary sessions at any time may be specially summoned by the King, which may last until the special business the council has been convened for has been transacted. Unlike the co-ordinate assemblies in France and Prussia, the Belgian assembly can neither be suspended nor dissolved by either governor or royal decree.

The Deputation Permanente is an elective administrative body, which is also charged with the administration of provincial affairs and matters of general interest both during the annual session of the council and in the intervals between its meetings.[2] The deputation acts through the governor, who presides over its deliberations and can speak, but has no vote. It is formed of six councillors, paid during their term of office, to which they are elected for four years by the council from its own members, one at least from each arrondissement in the provincial area.[3] Its powers are great and far reaching.

[1] "Si donc un acte du Conseil, qu'il soit d'ordre provincial ou d'ordre général, est contraire aux lois ou à l'interêt général, le Gouverneur de la Province est tenu de prendre son recours auprès de l'autorité supérieure, á l'effet de suspendre l'execution de cet acte, et le Roi peut, ou bien en prononcer l'annulation, ou bien proroger indefiniment la suspension, à charge de faire décider la difficulté par les chambres legislatives (L. prov. art. 89 et 125, cf. L. Comm. art. 86 et 87).

[2] See Bernimolin, Vol. I., pp. 214 *sq.*; Giron, "Droit Administratif," pp. 162 *sq.*

The pay is rather of the nature of an indemnity to cover out-of-pocket expenses, being only 3,500 francs a year.

It administers all provincial matters, and prepares the budget for the council. It controls all communal finances; approves local budgets, and audits local accounts; represents the central authority in a complete surveillance over the communes in matters of State interest; gives advice to the provincial council, and is responsible for control of police, roads, and public institutions. If a commune prove recalcitrant, it can appoint a commissioner to carry out the work, and can insert the necessary expenditure in the communal budget; it controls all sales and loans; checks the bye-laws, and overhauls all market dues, etc., to insure that no local arrangements operate in contravention of the law abolishing octrois; it settles all disputes and claims of communal authorities and of bodies recognised as of public utility; it allocates their shares of maintenance of common charges for such services as the roads; finally, as an administrative court, it hears and decides all appeals in the matter of direct State taxes, disputes concerning payment of indirect taxes going to the ordinary tribunals. It is the first administrative court of appeal in matters connected with elections, voters' lists, the army, residential qualification, public assistance, and benevolent institutions; its acts can be set aside by the King acting in the general interest, but its decisions in law can only be reversed by judicial authority.

The accounts of the province are audited by the Cour des Comptes, which also controls and examines State expenditure. This organisation is entirely independent of the central executive. The members of the Court are appointed by ballot of the Chamber of Representatives for six years, and may be re-elected. "Numerous and strict qualifications are required of candidates. They may not be members of either House, or relations or connections of a Minister, or be interested through themselves or their wives in any undertaking the accounts of which are subject to a State audit, nor may they be connected either personally or through their wives with the management of any commercial concern."[1]

[1] Foreign Office Series, Cons. Reports for 1907, Fin. of Belgium, No. 3985, p. 10. "Government receipts are actually paid into the Bank of Belgium, a chartered bank with a capital of £2,000,000, which has

The provincial budget must be submitted for approval to the King, whose sanction is also required for all extraordinary expenditure, for any modification of the budget, for all provincial taxes, and for all loans. The approval may be refused for a part or the whole of the council's proposals or estimates.

COMMUNES.[1]

The communes (2,600 in number), both urban and rural, are, in the main, organised on identical lines, as in France. Each commune has its deliberative elected council (of from seven to thirty members, according to population) and its executive Burgomaster and Échevins. The burgomaster, nominated from the council, or on the recommendation of the "deputation permanente" from outside, and approved by the King, is for central purposes regarded as sole executive officer; but the Echevinal College, formed of burgomaster and two or more échevins, who correspond to the French adjoints and are nominated by the King, act in association as the executive for local affairs. The échevins are subject to central control, and their appointment may be suspended or revoked by the King, as may be also the burgomaster himself for "notorious misconduct or negligence." The Governor has also similar powers over the Echevinal College on his own initiative and with the consent of the Permanent Deputation. Both burgomaster and échevins lose position at once if they cease to belong to the council.

The municipal franchise was revised in 1895.[2] Every man under thirty years old was disfranchised—the previous qualifying age had been twenty-one; the residential qualification

branches throughout the country, and whose officers are appointed by the King from a list submitted by the managers." See also Bernimolin, Vol. I., pp. 311 *sq.*, Vol. II., p. 446, and "Essai sur le Droit Communal," by A. Giron, pp. 170 *sq.*

[1] The Belgian commune has an average population of 2,153 inhabitants, rather more than twice as great as the average of the French communes.

Cf. Shaw, "Municipal Government in Continental Europe," p. 215.

in the commune was raised from one to three years; voting was restricted to occupiers paying 15 francs in direct State taxes in communes of over 10,000 population; 10 francs in direct State taxes in communes between 2,000 and 10,000; 5 francs in direct State taxes in communes less than 2,000. A supplementary vote was granted to property owners who derive an annual income of 150 francs from real estate.

The councillors are elected for six years, half retiring each third year. The qualifications of candidates, regularity of elections, etc., are determined by the permanent deputation, which has powers to annul the election for any gross irregularity.

M. A. Giron in his "Droit Administratif" says: "It is a maxim of our public law that communal (like provincial) taxes can only be levied with the consent of the Sovereign. The control entrusted to the Government in this matter has always been considered as an essential attribute of the tutelage which it exercises over the communes. The Communal Law has respected this tradition. It subjects to the approbation of the King the establishment, the change, and the suppression of all communal imposts and all regulations relating thereto (Loi Comm., art. 76). Nevertheless, the approval of the permanent deputation is sufficient, while it is a question of additional centimes to the principal of the contributions collected by the State in cases where the total number of centimes imposed does not exceed twenty (Loi, June 30th, 1865). It must also be admitted that the provincial councils have equally an unlimited power of fixing, as they deem convenient, the assessment and the amount of the provincial taxes, under the condition that they be approved by the King. This power is derived by them, as by the communal councils, from the articles of the Constitution."[1]

This approval must, like that of the budget, be granted

[1] Giron, "Droit Administratif de la Belgique," pp. 509—510; see also Bernimolin, Vol. I., p. 473.

year by year. The councils of both provinces and communes are subject to "inscription d'office" for compulsory charges in matters of general interest. This right is exercised in the case of the communes by the permanent deputation after warning from the governor to the communal council.[1]

[1] See Giron, "Essai sur le Droit Communal," p. 192.

CHAPTER XIII.

Belgium.

Provincial and Communal Resources.

The direct contributions of Belgium from which the State, the provinces, and the communes derive considerable revenues are a variation of those of France. They are (1) the *Contribution Foncière* or land tax;[1] (2) the *Contribution Personnelle*, which is somewhat similar to the French equivalent, but omits the poll tax, and includes the doors and windows tax (which is classed as a tax apart in France), and also comprises taxes on domestics and horses; (3) the *Patentes*, more complicated and highly specialised than in the neighbouring country; and (4) *Mining Dues*, estimated according to area of the concession and the value of the output.

Till 1867 the land tax was apportioned; but like the other direct taxes it is now a rated tax, and levied for the profit of the State at 7 per cent. of the officially estimated annual revenue.[2] As the centimes additionnels for provincial and communal purposes vary from district to district, it is difficult to determine the general rate; but a rough estimate may be arrived at by adding the State, provincial,

[1] Of the Land Tax, there went in francs:—

	1840.	1850.	1860.	1869.	1890.	1900.
To State . .	17,210,730	18,359,750	18,886,292	19,010,000	24,189,000	25,924,130
,, Provinces. .	1,370,650	1,791,678	2,111,458	2,848,000	3,566,000	3,895,846
,, Communes .	1,221,337	1,829,696	2,665,870	3,967,346	10,371,000	13,307,906

See also Table I. (Belgium).

[2] See Bernimolin, "Les Inst. Prov. et Comm. en Belg.," Vol. I., pp. 114 *sq.*; Diplomatic and Consular Reports, No. 3985 of 1908; Reports as to "Taxation of Land and Buildings in European Countries," C. 6209 of 1890.

and communal totals; for example, in 1890 the total thus paid was 25,903,320 francs, and the annual value of immovable property was assessed at 285,043,292 francs. It may, therefore, be said that on the average the proprietors pay about 9 per cent. of their officially estimated revenue in land (built-on and unbuilt-on) tax. The land tax valuation is mainly that of the period 1849—1858, but the new assessment now being made is estimated to increase the land tax returns by over 60 per cent.

Special local taxes are also levied on this official revenue, varying from 1 per cent. to 6 per cent.; and in some cases, where certain properties are temporarily exempted from the State tax, the communes take advantage of this immunity to levy special local charges, based on the area occupied and the size and character of the building. Railways and buildings belonging to them do not pay land tax; but all other constructions (*e.g.*, gasworks, factories) pay, like houses, according to revenue they are estimated to return—deduction of one-third being allowed for repairs, etc.—on the average of the previous ten years. The assessment of lands is unchangeable, except by a general revision decreed by a special law (one in 1860, the last in 1896). The same principle is applicable to lands built on, except in cases where considerable alterations or depreciations occur "resultant de force majeure on d'erreur materielle" (Loi, September 15th, 1807, art. 33). Houses and other buildings, constructed or reconstructed, are free from tax for two years. The remissions and allowances referred to are, in the case of *lands*, when—

(1) as a result of some unforeseen event they begin to disappear; or there is

(2) partial or total loss of revenue owing to hail, storm, floods, etc.

In the case of *buildings*, where—

(1) there is a total destruction of the building; or

(2) partial loss of revenue.

If the land or buildings remain unused or unoccupied for a whole year, the proprietor can obtain remission for

that year if the claim is presented before April of the succeeding year.[1] In some special cases, where encouragement of building or agricultural development is desired, official exemptions are made by the Director of State Taxes. Streets, public places used for fairs and markets, roads, national woods and forests, and public canals are free from tax.

The only exemptions in the case of buildings is where—

(1) they have the character of national domain;

(2) are unproductive of revenue; or

(3) are applied to the public service, and are of general utility. Special reductions are, however, made in favour of agricultural buildings, and exemptions are allowed for fifteen years after construction of houses and buildings newly erected on vacant lands belonging to the communes.

There are no State additional centimes to the State principal of the land tax, but a special tax is also levied for the State of 4 per cent. on lands and buildings occupied by co-operative concerns.

The *Contribution personnelle*, which is in theory a tax on general income, has had a curious history. Under the French *régime* it was a combination of a rated and an apportioned tax, similar to the French personnelle mobilière. It was apportioned to the communes in proportion to population, and levied on the inhabitants in the form of payments for domestics, carriages, and horses employed. The apportionment was made on the basis of three days' labour for all heads of households—reckoned as one-sixth of the

[1] The Stat. Journal for Dec., 1877, gives 179,000 landholders in England for 4,400,000 fathers of families = one-twenty-sixth.

Lavergne gives 5,550,000 landholders in France for 7,600,000 fathers of families = two-thirds.

In Belgium in 1880:

Very small properties	(0 to 2 hectares)	710,563	holders.
Small ,,	(2 to 10 ,,)	158,261	,,
Average ,,	(10 to 50 ,,)	38,169	,,
Big ,,	(50 and over ,,)	3,403	,,
		910,396	,,

Population in 1880 = 5½ millions.

population. Later the sumptuary indication of ability was abandoned, and the assessment of each contributor was by general indications, such as rent of house occupied, and general style of living. The result of this system was that "the greatest injustice was committed owing to the ignorance, apathy, and dishonesty of the local assessors." [1]

The law of 1822, which in essentials is still in force, had for its main objects:—

(1) To abolish the system of apportionment.

(2) To substitute *personal* declaration on recognised bases for the arbitrary methods of the old assessment.

(3) To substitute for the three days' labour two sumptuary taxes; "to give, in a word, the maximum of guarantee to the citizens, and to the State an impost stable and productive." [2]

Six bases were established to this end, of which five remained unchanged, the one which was borrowed from the English fiscal system, the hearth tax, having been abandoned in 1879.

The points noticeable are:—

(1) The progressive nature of the tax on domestics and horses.

(2) The ancient date of assessment of letting value of houses (1822).

(3) The unfairness as between town and country of the doors and windows base. The first three bases have, in the course of the intervening period, resulted in gross disparities between the actual rent paid and the assessment.[3] Owing

[1] Documents des États Généraux, 1817—18, quoted by Dr. Ingenbleek in "Impôts directs et indirects sur le revenu," p. 30.

[2] Ingenbleek, p. 32.

[3] Ingenbleek gives (pp. 487—519) statistical tables showing in various districts and towns the most glaring inequalities. See also Richald, "Les Finances Communales," pp. 125—137. "It is easy to discover the source of these differences. New constructions have not been valued as directed by the Law of 1822. The experts who have adjudged valuations since that date have been naturally compelled to value in accordance with current prices, whilst for old houses the owner had the right of reference, each year, to the declared value of the preceding year, which had remained unaltered for fifty-six years (in 1879). The Law of 1879, far from remedying the evil, will still further aggravate the charges on new houses and constructions. That law abrogated the Law of 1822 and

partly to fraud, partly to the inability of the contributor to make a satisfactory assessment, and partly to official carelessness, the contributions are in many instances in no way commensurate with the real ability, as shown in the actual rent paid.

In theory the "contributions personnelles" are a tax on income, estimated, more or less imperfectly, by the annual value of the house inhabited, the number of doors and windows it possesses, and the number of servants and horses employed by the owner. The levying of this tax on a five-fold base is governed by a series of laws dating from 1822.

The first base is the gross letting value of houses and buildings, on which a tax of 5 per cent. is laid. The assessment is that made by fiscal experts in the years 1872—76; later constructions are assessed by comparison with similar buildings of that date. The second element of the tax—that on doors and windows—is fixed according to the height and position of the apertures, and the population of the commune as it was in 1822. In communes of below 5,000, the tax is about 1 franc for each door and window, rising to 2 francs 28 centimes in communes of over 50,000. As a result of the ancient population basis taken, Liège is still rated as a town of 25,000 to 50,000, although its present population would put it in the highest class. The loss of revenue from this cause in 1905 was to Liège about 80,000 francs; for the whole of Belgium, over a million and a quarter francs.[1]

The third basis is that of the value of the furniture and equipment of the house, limited to one-fifth of the rent, and taxed at the rate of 1 per cent. of their value. The tax on the domestics employed, which forms the fourth element in computation, varies from 8 francs to 40 francs per domestic, according to sex, number employed, and special use of the

replaced it by the following instruction: "The gross letting value of houses and buildings is regulated by comparison with the letting value officially assessed during the years 1872—6. Now as it is not a question of a general revision, it will be again the new constructions which will suffer most."

[1] Ingenbleek, pp. 114, 116.

servant. This portion is progressive in application; the more servants, male or female, employed, the heavier the tax per head. Owing to the unsatisfactory nature of the self-assessment in vogue and the laxity of financial administration, in spite of the general rise in the standard of luxury of the middle and upper classes, there were less domestics returned in most classes in 1902 than in 1884.[1] The fifth element, the tax on horses, varies according to the number and use made of the horse, and the profession of the owner, from 10 francs to 200 francs per horse; for encouragement of horse breeding, combined and reduced dues are levied on rearers of horses having more than ten.

Exemptions are allowed for houses of an annual rent less than 43 francs, or weekly rent of less than a franc and a quarter; for workshops and factories, granaries and stables, churches and schools, public establishments for instruction or benevolence, and all buildings used for the service of the State, province, or commune. Furnished houses which have been empty during the preceding year pay no taxes. Exemptions are also made in favour of houses occupied by workmen (in employment or invalided) not possessing other property, and yielding rents graded in accordance with the size of the commune, from 72 francs in communes of less than 3,000 inhabitants, to 171 francs in communes of 100,000 or more; this exemption is not extended to workmen who themselves, or by wife or children occupy a shop or restaurant, or let part of the house for business, or who hold any considerable allotments other than a garden.

For all the bases, with the exception of the fourth and fifth, abatements are allowed of the whole or part of the tax to inhabitants of towns over 10,000, and who occupy more than one house.

For Central Exchequer purposes, 15 centimes additionnels ordinaires are levied on the principal of all the five bases, and 20 centimes additionnels extraordinaires on the principal of the first base, viz., letting value.

The *Droit de Patente* is levied in virtue of various laws

[1] Ingenbleek, pp. 138, 142.

dating from 1819 to 1895. The tax is due from every person who is habitually engaged in any profession not specially exempted by law, or in any branch of industry or commerce, and in proportionate amount to the profits accruing, according to official estimate, of the special avocation or business. The fundamental Law of 1819 created two tariffs, A and B, and divided those persons liable into fifteen categories, according to the nature of the profession or industry, and the rate and method of assessment. The former tariff is uniform for all the communes ; tariff B varies according to the population of the commune at each decennial census. A later Law—that of 1873—classed the communes in six ranks ; the first comprising communes of more than 60,000 inhabitants, the sixth consisting of those of less than 10,000. Tariff A contains seventeen classes, for which the limits have undergone various changes, but for most of which the limits are now 1 frs. 40 c. to 401 francs. Tariff B contains fourteen classes ; the sixth rank paying a minimum of 1 frs. 06 c., and the first rank a maximum of 423 francs. Modifications of assessments are made according to the number of men employed, or (as in the case of such businesses as distillers', brass-founders', etc.) quantities of materials used. Millowners' dues vary according to the kind of work, motive power used, etc. This complicated system extends to even minute details ; the taxes paid by showmen or organisers of amusements, for example, are calculated according to the size of the commune, nature of the show, gross receipts, and even the character of the entertainment room, whether there is seating accommodation or not, and so forth.

The exemptions expressly made by law are in favour of ecclesiastics, functionaries, lawyers, artists, quarry-owners and workmen whose salary does not rise above 1,200 francs a year. International conventions provide for the total exemption of Germans, Austrians, etc., working in Belgium.

For Central Exchequer purposes, the Patentes dues may be increased by 20 centimes additional for the profit of the State.

Provincial Resources.[1]

The revenue of the provinces, apart from income from property (which is very small, owing to the fact that the domain of the ancient States was incorporated in the national property at the time of the French conquest), and loans and subsidies from the central Government consists of (*a*) additions to direct State taxes, (*b*) product of fines for breach of provincial tax regulations, (*c*) tolls on provincial roads (only an insignificant amount altogether since the law for the abolition of toll gates in 1866), (*d*) special provincial taxes.

The additions to the State taxes (on land, furnished houses trades, and mining dues) were fixed at 6 centimes in 1821. By the Constitution of 1831 the freedom to levy any number in accordance with budgetary necessities, subject to approval, was established.[2]

The special taxes are in the form of licences to sell alcoholic liquors, and taxes on carriages, guns, dogs, velocipedes, and motors.[3] Thus in the province of Liège for 1907 there were levied:—

(*a*) Liquor retail licences, varying according to a tariff in proportion to (1) size and nature of establishment, and (2) population of commune, from 10 francs in communes under 1,000 inhabitants to 100 francs.

(*b*) Horse tax, varying according to quality of horse and use made of it from 5 francs to 20 francs.

(*c*) Dog tax, varying according to quality of dog and size of commune, 75 francs to 5 francs (the lower rates being paid in smaller communes).

(*d*) Sporting gun licence, 10 francs; sporting dog, 10 francs.

(*e*) Domestic servant livery tax, 10 francs per head.

(*f*) Carriage tax, varying in amount from 75 francs for a four-wheeled carriage to 15 francs for a light two-wheeled van.

[1] See Table I., Belgium.

[2] For totals of provincial resources for various years, see Table I., in Appendix.

[3] See Budget de Recettes et des Depenses de la Province de Liège pour l'Exercice, 1908.

The centimes additionnels levied in this province were :—

(1) 100 centimes additionnels to patente dues paid by share companies.

(2) 15 centimes additionnels to patente dues paid by others in the province and over 10—60 francs. (This was limited to one year by royal decree.)

(3) 100 centimes additionnels to the State tax levied on the third base of the house tax (*i.e.*, one-fifth of the letting value of furnished houses).

The total receipts for this province of Liège for 1907 were :—

	Allowed Previous Year.	Proposed by Deputation.	Voted by Council Prov.	Allowed by King.
(1) Centimes additionnels	1,747,158	1,772,551	1,772,551	1,772,551
(2) Taxes	998,100	998,500	998,500	988,500
(3) Subsidies and subventions	63,334	62,674	61,223	61,223
(4) Various receipts	298,836	413,206	413,206	413,206
Total of ordinary receipts	3,107,428	3,246,931	3,245,480	3,245,480
Total of extraordinary receipts (chiefly surpluses from years before)	538,337	566,512	510,274	510,274

COMMUNAL RESOURCES

An examination of the *communal finances* discloses three striking features :—

(1) The large part played by the Communal Fund instituted at the time of the abolition of the octrois in 1860, and modified and developed in 1889 and 1896.

(2) The comparative lightness of local taxation as a whole, including, as it does, only a very moderate resort to the

method of local additions to the State taxes,[1] the average additions per commune being only twenty-six in 1880; in France in 1890 the average was forty-six.

(3) The prevalence, growth, and empirical character of the local special taxes, which are levied partly in pursuance of the principle of payment according to interest, and partly to "correct or complete the State taxes."[2]

M. Richald, writing of the period prior to the abolition of the octrois, says:[3] "Of the 2,538 communes of the country (in 1858) there are seventy-eight which form in the bosom of the country so many separate States. An intestine war of tariffs, a condition of latent strife, even more harmful for the consolidation of national unity than open hostility, exists between these communes, and this situation arises inevitably from the system of octrois. . . . Freedom of labour exists in none of these, nor freedom of trade. . . . Six declarations, six formalities, six transit dues must be paid to transport a bottle of wine from Brussels to Liège."

The agitation against these restrictions, begun in 1839, bore fruit in 1860. In order to prevent disturbance in local finances it was, however, indispensable to assure the communes a revenue at least equal to that which they had derived from the octrois then to be abolished. The problem resolved itself into determining the sum necessary for that purpose, the means of otherwise procuring that sum, and the

[1] Per inhabitant in francs:—

	Foncier Tax.			Personnelle Cont.		Increase per cent.	Patentes		Increase per cent.
	1840.	1890.		1840.	1890.		1840.	1890.	
To State . .	4·27	3·98		2·08	3·04	46	0·71	1·13	59
,, Provinces .	0·34	0·59		0·16	0·36	125	0·01	0·13	1200
,, Communes	0·30	1·71		0·14	1·03	636	—	0·17	—
	4·91	6·28		2·38	4·43	86	0·72	1·43	99

[2] L. P. Dubois, "Essai sur les Finances Communales," p. 186.
[3] L. Richald, "Les Fin. Comm. en Belgique," Vol. 1, pp. 35, 36.

rules by which the partition should be made. The seventy-eight communes had in 1859 reaped nearly eleven millions from their octrois; to establish firmly the change and provide or contingencies, the Government, by the Law of July 18th, 1860, granted to the communes 40 per cent. of the gross receipts from the postal service, and 34 per cent. of the product of certain branches of the Excise and Customs duties, which were estimated to realise fourteen millions. Additions made in 1862, 1883, and 1887, coupled with the general growth of revenue of the State, have raised the State contribution under this head to twenty-two millions in 1880, and forty-eight millions in 1905.[1]

The revenue granted to the communes is divided among them annually in direct proportion (for the most part) to the amounts paid by them in direct State taxes; (for the subsidiary portion, first voted in 1889) in proportion to population. The earlier grants had, in process of time, occasioned very considerable disturbance in the finances of the larger communes. Thus, for example, Brussels, which in the four years prior to 1860 had receipts from octrois rising from 2,469,000 francs in 1855 to 2,974,000 francs in 1858, had grants after the change which only rose from the latter sum to 3,227,000 francs in 1888.

The law of 1860 had guaranteed that no commune should have a less sum granted out of the Communal Fund than its receipts had been in 1859. As the fund was fed from taxes on consumption, and disposed of in proportion to payments in direct taxes, discrepancies soon arose between the relative amounts paid into, and received out of, the fund. In 1888 three classes were distinctly marked: those whose receipts had remained stationary; a second class which had benefited slightly; and a third class, containing the majority of the communes (since they had never had octrois at all), and some few large ones, where building operations and a rapidly-increasing population had caused their direct contributions to mount steadily, where the grants had enormously increased.

[1] See Table II. (Belgium) in Appendix.

Thus, the grants from the communal fund to—

	In 1859.	In 1888.
Antwerp . .	rose from 1,350,578	to 2,436,536 francs.
Charleroi . .	,, 70,585	,, 132,298 ,,
Blankenberghe .	,, 12,000	,, 30,623 ,,
Jemappes . .	,, 2,304	,, 58,099 ,,
Eecloo . .	,, 1,340	,, 36,534 ,,

Under these circumstances an addition was made to the Communal Fund in 1889, consisting of new licences (500,000 francs), customs dues on cattle and fresh meat (2,000,000 francs), and other customs dues (3,020,009 francs);[1] which made a total increase of 5,520,009 francs. This fund, to increase the resources of the communes suffering under the older basis of division, was to be distributed, not in proportion to State direct taxes paid, but to population—one franc a head being yearly paid, according to the population of the previous census.

As a result, the creation of this combined fund, especially where octrois did not previously exist, has been a "veritable godsend."[2] Many communes receive as grants sums almost equivalent to the amounts paid in direct contributions, *e.g.*—

	Paid in Direct Contributions.	Received from Communal Fund.	
	In 1890.	In 1890.	In 1861.
	Francs.	Francs.	Francs.
Borgerhout . . .	150,751	140,309	16,400
Laeken . . .	140,878	131,094	11,000
Etterbeek . . .	90,800	84,000	4,121

"It would be erroneous," says M. Richald, "to believe that only those communes where the population is most dense have profited from the creation of the communal fund. All the communes of the country, even the smallest, have been enormously benefited by the financial measure promoted by M. Frere-Orban."[3] Comparing the results on the

[1] For later figures see Table II., in Appendix.
[2] Richald, p. 48.
[3] *Ibid.*, pp. 49, 55, 59.

finances of the communes, with octrois and without, during the period 1861—1887, he shows that :—

	Communes which have had Octrois received from Communal Fund.	Communes which never had Octrois received from Communal Fund.
	Francs.	Francs.
In 1861 . . .	11,607,448	3,265,485
,, 1880 . . .	14,000,000	12,014,049
,, 1887 . . .	14,948,000 (or 3,900,000 francs above the minimum guaranteed by the Abolition Law of 1860.)	13,458,014

(Individual cases showed enormous increases, *e.g.*, the communes of Bershem-Ste.-Agathe 4,470 per cent., Marcinelle 645 per cent., etc.)

CHAPTER XIV.

Belgium.

Central Assistance to Roads.

As previously indicated, the general scheme of organisation of the Belgian road service is modelled on that of France. Certain differences appear, however, in the development and administration of the roads, which arise partly from the fact that since Belgium has acquired her independence she has had to create a national road system in keeping with her growing national prosperity, and in the process she has had to avoid as much as possible offending the national predisposition in favour of local autonomy and private enterprise.[1]

The legal division of the means of communication is into—

(1) Grande Voirie—(State roads, railways and canals, and provincial roads).

(2) Voirie Urbaine—(the streets of eighty-six towns, enumerated in a decree of 1825, and of other towns over 2,000 inhabitants, since added, which are not part of the Grande Voirie).

(3) Voirie Vicinale—(la grande vicinalité, roads of small communes ; la petite vicinalité, mostly footpaths).

In contrast with France, the grande voirie has in Belgium steadily and enormously developed ; the State roads, which in 1830 had a total length of under 3,000 kilometres, had been extended to nearly 8,000 in 1906. The provincial roads had likewise trebled in the same period.[1]

[1] For details of growth in the period 1830—1869 see M. Block "Dict. Admin.," Vol. 1, p. 220. The total length of roads was more than six times as great in 1855 as in 1830, largely owing to central subsidies for the purposes of their creation.

During the French occupation a decree of 1811 had determined the limits of such national roads as then existed, and the Provincial Law of 1836 laid the upkeep of provincial roads as an obligatory duty on the provincial assemblies. The national roads, as in France, are constructed and maintained by a special office of the central government, "le service des Ponts et Chaussées"; but, unlike the majority of French roads of similar grade, the provincial routes are generally made and repaired by arrangement of the Permanent Deputation with private contractors. The formation of a new national road requires a special law, which is only, however, introduced on the advice of the provincial assemblies. Existing provincial and urban roads can be transferred to the class of national roads by royal decree after resolution of the local body, but the degradation of a State road to a lower class may only be made with the consent of the provincial or municipal councils.[1]

Apart from the State roads, which the central authority maintains entirely out of its general revenues, the government in Belgium has, since its first intervention in the local service in 1841, given much care and financial encouragement to the extension of the country roads—la voirie vicinale—in the

[1] Bernimolin, Vol 2, p. 259; "Suivant l'art. 76, No. 7, Loi communale de la fixation de la grande voirie et les plans généraux d'alignement des villes et des parties agglomérées des communes rurales, l'ouverture des rues nouvelles et l'élargissement des anciennes, ainsi que leur suppression font l'objet d'une délibération du conseil communal soumise à l'avis de la députation permanente et à l'approbation du Roi. Bien que la voirie se rapporte aussi à l'intérêt général, il appartient donc aux autorités locales d'en proposer la fixation; la direction ou le tracé, et la délimitation des grandes routes et de la voirie urbaine, ainsi que toutes modifications quelconques dans ce tracé ou cette délimitation, *émanent de l'initiative des conseils communaux*, pour être arrêtés définitivement par le Gouvernement. Ce dernier ne peut y apporter aucun changement malgré les conseils communaux intéressés; il n'a qu'un droit d'approbation. C'est afin d'empêcher le pouvoir central de mettre indirectement à la charge des communes l'entretien de cette partie de la voie publique."

An illustration of the method of change in classification may be taken from a Rapport sur l'Administration de la ville d'Ostende (Exercice 1906). "Par délibération du Conseil Communal du 20 Novembre, 1906, approuvée par Arrêté Royal du 21 janvier 1907, la voie publique dite Avenue Elizabeth, comprise entre les chaussées de Nieuport et de Thourout, a été classée dans la grande voirie. Aucune autre modification n'a été apportée à la classification de la grande voirie dans la

interest of agriculture. The sources of support and improvement of these roads may be estimated from the following table :—

	Period from			For 1905 only.
	1841—1850.	1871—1880.	1891—1900.	
	Francs.	Francs.	Francs.	Francs.
Fonds communaux	7,019,163	30,515,260	25,039,195	3,179,937
Fonds provinciaux (subsidies) . .	2,550,894	12,686,633	15,990,627	1,471,482
Fonds de l'État (subsidies) . .	3,806,633	23,942,265	27,155,644	3,255,344
	13,376,690	67,144,158	68,185,466	7,906,763

If these and the previous figures for France be compared it will be observed that the tendency of the French departments to transfer their roads to the charge of the inferior authorities, and the growing disinclination, owing to central financial necessities of the French legislature, to vote subventions for the local roads, do not find a parallel in Belgium, where the length of, and expenditure on, provincial roads is steadily on the increase, and both State and provinces are apparently even more willing than in the past to furnish financial assistance for the support of the roads in the immediate control of the communes. The explanation may be that the Permanent Deputation exercises a closer surveillance over the communal management of the roads than the corresponding authority does in France.

traverse d'Ostende, qui comprenait au 31 décembre 1906, les routes suivantes :—

	Longueur.
La route d'Ostende à Blankenberghe . . .	Km. 16,136
Avenue du Congo	,, 2,620
Route de Bruxelles à Ostende, partie comprise entre les écluses de Slykens et l'origine de la Rue de la Chapelle	,, 2,222
And other portions of roads, making a total of	25,207

As an illustration of the general distribution of roads of the three classes in a typical regional area, the following figures for West Flanders are given :—

	State Roads.	Provincial Roads.	Communal Roads.
	M.	M.	M.
Arrondt de Bruges . . .	165,243	27,939	223,359
„ de Courtrai . . .	121,488	25,493	207,222
„ de Dixmude . . .	50,400	32,510	167,046
„ de Furnes . . .	91,950	—	129,438
„ d'Ostende . . .	106,950	11,610	76,697
„ de Roulers . . .	36,816	37,840	129,551
„ de Thielt . . .	87,394	4,923	104,750
„ d'Ypres	177,867	41,995	159,235
	838,017	182,310	1,200,298

For the smaller roads in Belgium as in France, though to a much smaller extent, there still exists in the " prestations " an interesting survival of the corvée, or system of forced labour, which did much to lay the foundations of the network of roads under the ancient *régime*.[1] In England, as we have seen, a somewhat similar ancient custom had been enforced by the Highway Act of Philip and Mary, and had come down by the side of the method of rating and tolls for the highways to the middle of the nineteenth century.[2]

[1] Cf. Reitzenstein, Komm. Fin. in Schonberg's Handbuch, Vol. 3, (2), p. 40.

[2] See Appendix to Fowler's Report, 1893, p. 63.

Year.	Highway Rates in Rural Districts.	Estimated value of Team Labour, etc., in lieu of Rates, not included in previous column.
	£	£
1868	1,336,292	19,700
1870	1,256,301	16,838
1879	1,760,786	11,621

For statute labour and highway rates in England, see Cannan, 'History of Local Rates," pp. 8, 42—43, 119—124. In Belgium, in 1880, the total receipts of the 2,538 communes were 92,593,000 francs, of which the prestations were valued at 3,543,470 francs. See L. Richald, " Les. Fin. Comm. en Belgique," Vol. 1, p. 86.

In France, where the ordinary resources of the commune are not sufficient, the council may impose an additional special rate (up to five centimes on the four direct contributions, the limit fixed by a law of 1836), or it may call on every householder to furnish three days' labour for himself and for each male between eighteen and sixty years of age residing with him, whether member of the family or servant, and a like period for every waggon, plough, and beast of burden. The value of each day's labour is fixed according to a tariff drawn up annually by the council-general of each department on the recommendations of the councils of the arrondissements, for each commune. The labour may be compensated for by money payment, which is demandable within a month if the contributor has not previously signified his choice of a labour contribution. This service of the roads is obligatory: if the communal council has not voted within a prescribed period the necessary prestations and centimes, the Prefect can impose by virtue of his office the maximum allowed by law, or cause the work to be done. A Law of 1868 authorises the communes specially handicapped with a heavy road service to levy an additional fourth day's service, if needful.

The Belgian prestation regulations are similar in type, but an attempt has been made to render the forced labour contributions less irksome and more progressive.[1] In case of insufficiency of other revenue the communal council may demand (1) one day's work by each householder who does not pay three francs in State taxes; (2) two days' work by each householder paying three francs or over, and two days' work from each horse, beast, driver, etc.

Special centimes may also be added to the direct contributions, which in the total must bear at least one-third of the whole expense; if the prestations exceed the other two-thirds, they must be reduced in proportion. By this means holders of property not resident in the commune are compelled to contribute their proportion. These resources form a special fund which, unlike the practice in France, cannot be in any

[1] See Bernimolin, "Les Institutions Prov. et Comm. en Belgique," Vol. 2, pp. 371—375.

circumstances applied to any other purpose. The fixing of the value of the day's labour is entrusted, as in France, to the regional authority—the permanent deputation of the provincial assembly.

Every head of a family who is not positively indigent must contribute in labour or money, whether he resides near the road for which the contribution is demanded or not, if he resides in the commune for three months. If he has residences in more than one commune, he pays in proportion to the length of his residence in each.

As in France, industrial and commercial enterprises causing excessive wear and tear may, and usually are, exceptionally taxed; but from this additional taxation operations essentially agricultural are totally exempt.

PRIMARY EDUCATION IN BELGIUM.

The educational methods of Belgium are in most respects similar to those of France. There is a minimum compulsory expenditure to be made by both provinces and communes, but the control of the communal authorities over the appointment of teachers, the management of the schools, and general educational policy is, as might be expected in a country like Belgium where the spirit of local autonomy is traditional, much stronger than in the neighbouring country. The schools under the Belgian system are directly controlled by the municipal council, which performs the functions of a school board, and is responsible for the provision of necessary accommodation, and for the payment of teachers. Free places must be provided for poor children, and the teachers must be paid at least the minimum salary fixed by the central authority. Grants in aid are made to communal or "adopted" schools and to private "confessional" schools, subject to inspection by provincial inspectors appointed by the Crown, and honorary cantonal inspectors appointed by the Crown on the nomination of the provincial authorities.

The duty of paying for elementary instruction is primarily communal; no State or provincial grants or subsidies are

advanced unless the commune devotes at least for ordinary expenditure a sum equal to the product of four additional centimes on the State direct taxes.[1] All communes except those with considerable private endowments obtain these subsidies. From the State the grant is made on the basis of one franc per inhabitant of the commune. As a general rule the State subsidy cannot exceed the double of the amount raised by the commune. The poorer communes get additional central assistance in proportion to the meagreness of their resources. From the provinces the communes have allowances for any considerable structural alterations and repairs of the communal schools, and a proportion according to necessity in extreme cases, but generally one-third of the cost, the State bearing also one-third, for their construction and furniture; for this purpose the State makes advances to the provinces, repayable in annuities. The province must also contribute one-fifth of the expense of teachers' pensions, the communes two-fifths.[2] A check on local parsimony in the employment of qualified teachers is imposed by the provision that, where a teacher is displaced by resolution of the council without central approval, the province must pay one-fifth and the commune three-fifths of his salary while out of employment.[3] To meet ordinary expenditure the provincial assembly must levy at least two centimes additional to the State direct taxes, the communes, as already noted, having a minimum of four centimes compulsory.[4]

The regulation of teachers' employment arose from a source which has been a constant fount of dissension in the history of Belgian primary education: namely, the conflict between the Liberal and Catholic parties for supreme power. The Act of 1842, which established elementary education as an obligatory duty of the communes, made religious instruction also obligatory and confided it to the care of the minister of the majority of the pupils, other children being allowed to absent themselves from the religious lessons. In 1879 religious

[1] Loi, 1884, art. 6, and Min. Circular of December 14th, 1884.
[2] Loi, May 16th, 1876 and Loi, April 8th, 1884.
[3] Loi, September 20th, 1884, art. 7.
[4] Loi, September 20th, 1884.

instruction was removed from the curriculum, instruction in morality taking its place, and inspection in this subject was abolished. The teacher might hear "repetitions" if the minister were absent. As a result, the number of scholars in the communal schools sank from 510,558 in 1879, to 324,656 in 1884, when a reaction against this neutral scheme came. The Act of the latter date, carried by the Catholic majority, did not return entirely to the conditions of the 1842 scheme, but it gave the communes the liberty of placing religious and moral instruction at the head of the curriculum of all or some of their schools, and excused the children who did not desire it from attendance. In order to enable the communes to carry out this provision they were allowed to "adopt" one or more private schools which had been recently established by the Catholic party by voluntary effort. Thus there are three kinds of elementary schools in the Belgian system:[1] (1) Communal schools which give religious instruction at the beginning or end of the day; (2) communal schools which give no religious instruction; (3) confessional schools, including schools (*a*) "adopted" by the commune, or in certain cases of appeal against the intolerance of the commune, by the Government; (*b*) others than (*a*), which receive subsidies from central, provincial, and communal funds, as private and non-adopted schools, provided they conform to the conditions of efficiency and are open to inspection. These schools are not, however, subject in any way to the management of the communal council. The basis on which the grant is allocated is the number of distinct classes in the school and of free places in each class, the minimum being fixed by the central authority. This recognition of private schools is estimated to save Belgium seven or eight millions of francs a year.

The Act of 1884 had been followed by reductions in the administrative staff of the colleges and schools, and teachers' salaries in many cases were reduced to the legal minimum.

[1] In 1893 there were 5,778 public elementary schools, 4,195 being communal, and 1583 "adopted." Religious instruction was included in the curriculum of all the "adopted," and 4,042 communal schools, being omitted in only 153 of the latter type.

The total cost of primary education in 1887 was seven and a half million francs less than in 1883; many communal schools were entirely closed. To relieve the distress and prevent its repetition on such a wholesale scale in the future, the provision compelling communes and provinces to pay unemployed teachers was included in the Act of 1885. A later Act of 1895 goes back to the condition of 1842. Religious instruction must be given by minister or teacher in all recognised schools; those who desire it may be excused attendance; there is religious inspection by the ecclesiastical authorities, who report to the central government.

PUBLIC ASSISTANCE IN BELGIUM.

For France and the adjacent conquered territories, including Belgium, the Convention in 1791 gave legal right to receive "necessaries" from the nation, and proclaimed "the right of the poor to be succoured and the obligation of the State to render them assistance." The Law of March, 1793, for all French territory declared that "the assistance of the poor is a national debt," and the Convention proceeded to sequestrate all properties then belonging to hospitals, hospices and charitable institutions which in the communal areas had hitherto, on a benevolent and ecclesiastical footing, ministered to the needs of the poor, and to substitute for the funds derived from these sources a credit each year in the national budget. This disastrous scheme was, by the constant wars and consequent impoverishment of the national exchequers in both countries, very soon abandoned, and return was perforce made, after inflicting severe hardships on those whose necessities had been previously relieved by local, religious, and philanthropic agencies, to the old system of local relief.

But the subsequent development of public assistance, while still bearing traces of its old ecclesiastical character, has proceeded on somewhat different lines in the two countries, and the financial system of control varies. In France, as has been already noted, although the commune is the

administrative unit, the management of the funds destined for the relief of the poor is in the hands of the Directions of the bureaux de bienfaisance, which have a civil personality, and consist of two members elected by the council and four nominated by the Prefect, and merely submit their accounts to him ; in Belgium, the Committees of the bureaux are entirely elected by the municipal authority, and their budgets and accounts are compulsorily submitted to the municipal council, which is legally bound to meet any insufficiency of funds so far as its ordinary resources will allow. "It is to-day beyond all controversy that (in Belgium) the hospices and the bureaux de bienfaisance constitute branches of the communal administration appointed for a special public service. The members of these charitable administrations are the representatives of a public service which is essentially communal, and it is for that reason that they hold their mandate from the communal council."[1]

The legal liability of the communal authority to meet any deficit in the accounts of the poor relief bureaux only proceeds to the extent of their ordinary resources; but a much stricter control over the application of funds and the administration of relief is exercised than under the French system. Moreover, while in France only a minority of the communes have established a bureau, such an institution is made compulsory by the Belgian Communal Law (art. 92), which imposes on the Echevinal College (burgomaster and echevins) the obligation of seeing that in every commune is established a bureau de bienfaisance—a provision which was the logical outcome of a previous Law of 1797 "that bureaux and committees of charity should be established in every commune of over 2,000 inhabitants." It is on the instruction incorporated in the Communal Law that the legal responsibility for public assistance to the needy rests; quite reasonably it has been argued and agreed that if the intention had been to lay costs of relief entirely on charitable funds, the

[1] See Montigny, "Principes de Finance et de Comptabilité Communales," p. 103; also Bernimolin, "Inst. Prov.," Vol. 2, pp. 44 *sq.*, on the relation of the communal councils to the bureaux de bienfaisance.

law would only have directed the council to institute a bureau where such funds existed. While the bureaux and committees devote their attention mainly to out-relief, the hospices and hospitals for the sick and infirm, and for orphans and deserted children, are usually under a separate commission, although the same persons appointed by the council may serve on both, and the financial responsibility of the commune extends to both branches. The members of bureaux, committees, and commissions are unpaid (though they often have a paid secretary), and the local clergy form a large and influential section of the actual administrators of all forms of public assistance.

Income is derived from (*a*) legal dues (droit des pauvres), from theatres and entertainments, fines and confiscations; (*b*) foundations, gifts and bequests; (*c*) money from poor-boxes; (*d*) communal grants.[1]

In common with France, the State has initiated and favoured the development of certain other forms of assistance whose administration and finance allowed of their being handed over to authorities with greater resources and which were responsible for larger areas. For the maintenance of pauper lunatics, deaf mutes, and the blind, orphans and deserted children, there exists a more highly developed organisation. Primarily for all these purposes the expenses fall on the communes, which must cover the deficits of all the institutions erected for the various services; but for certain expenses subsidies may be, and are in practice generally granted. The higher organisation takes the form of a common fund (Fonds Commun) made up in each province by contributions from the bureaux and hospices as far as their resources will allow, and from the communes for the remainder. In their earlier administration, founded on an Act of 1879, these funds suffered from a loose drafting of the

[1] For "droit des pauvres" in Belgium see Bernimolin, Vol. 2, p. 365. These dues were established in Belgium on the French pattern in 1809; a decree of 1821 suppressed them and substituted an optional local tax. The communal law of 1838 and later instructions recognise such forms of contribution, but provide that the proceeds shall go into the coffers of the communes, and not to those of the bureaux.

law; they were condemned by lawyers, economists, and social reformers alike, since abuses abounded. In 1890 the present Act precisely determined the functions and scope of the Fonds Commun, and the services it was to be used in assistance of.[1] The contributions are determined each year by the Permanent Deputation, partly according to population of the commune and partly in proportion to the amount paid by the commune in direct State taxes (the bases which serve for the distribution of the Fonds Communal). The expenses of the services strictly defined by the Act of 1890 fall as regards one half on the Fonds Commun, the other half being shared between the State and the province. Thus in West Flanders, in 1900 and 1905, the following division was made :—

	Total paid in Francs on the Services.	Division of Expense.			Expended on		
		Fonds Commun. ½.	Province ⅛.	State ⅜.	Lunatics.	Deaf Mutes.	Blind.
1900.	925,033	462,516	115,629	346,888	800,111	99,855	25,067
1905.	1,076,978	538,531	134,612	403,835	943,763	104,671	28,544

[1] The Fonds Commun in each province for public assistance must not be confused with the Fonds Communal, which is formed by the various percentage deductions from the national customs revenue, and distributed in accordance with the Laws of 1860 and 1889, as described on p. 210.

CHAPTER XV.

Prussia, before 1893.

Development of Local Government and Finance.

As in France, so in Prussia, a strict line is drawn between matters of general interest and those which are considered as mainly of local interest and concern.

The branches of Prussian public service in which the State retains the predominant control are: (1) The army; (2) the State domains; (3) the State taxes; (4) police (a term of wide signification); (5) ecclesiastical affairs; (6) primary education; (7) the supervision of local authorities; each of these is in the final control of a central Ministerial department.[1]

The roads, poor relief, and other miscellaneous matters are not regarded as being of sufficient general interest to warrant strict and direct control by the central authority, and are accordingly almost entirely left to the discretion of the localities.

The administrative authorities which are entrusted with the care of local affairs, or such central matters as must be administered locally, are organised as an administrative hierarchy, each grade being possessed of very considerable powers of control over the minor bodies in its area.[2] They are, in descending order of magnitude and importance: (1) the Province; (2) the Government District; (3) the Circle or County; (4) the Official District; (5) the Commune. The districts, both government and official, are concerned only with central matters and are usually not incorporated; the province, circle, and commune have control over both central

[1] Cf. Lowell, "Parties and Governments in Continental Europe," Vol. 1, p. 312.

[2] See H. de Grais, "Handbuch der Verfassung und Verwaltung" (15th edition), pp. 77 *sq.*

and local services, are incorporated, and possess powers of self-taxation.[1] It is with the latter class of authorities we are mainly concerned.

A double tendency may be distinctly traced in the development of the administrative and financial relations of the central and local bodies in Prussia during the past century.

First, there has been a complete reorganisation of the administrative authorities, central Ministerial departments, up to the present total of nine, being added as occasion demanded to the five original departments organised (each under a single head responsible to the Chancellor) by Stein in 1810, and a gradual extension of increased powers of local self-government to the provinces, circles, and communes.[2] This increase of powers was qualified by the enforced collaboration in the work of local government of (1) paid and professional executive officers, nominated or approved by the central authority; (2) a lay administrative element of locally selected persons, unpaid and subject to obligatory service and central approval; (3) elective assemblies, with powers mainly deliberative and supervisory. A further restriction on local government has been preserved by the method of election, the higher authorities being each in turn indirectly elected by the lower authority; and in the case of the unit of self-government, the commune, by election on the "three-class

[1] The Government district control is in the hands of: (1) the President; (2) the Board—a number of officials appointed by the Crown; (3) a Committee of seven members, three of whom are professional and appointed by the Crown, the remaining four are local residents selected by the provincial committee for six years. The lay element was introduced for supervision of police, and for administrative control of the minor authorities. The Official district is a union of communes for petty judicial business and police administration only. Cf. Ashley's "Local and Central Government," pp. 132—149.

[2] See H. de Grais, pp. 57 *sq.* The original five Ministries formed were those of (1) Foreign Affairs, (2) War, (3) Justice, (4) Finance, (5) Interior. The Ministry for (6) Ecclesiastical and Educational affairs was formed by division from the Ministry of Interior in 1817, medical affairs being added to its control in 1849. The Ministry for (7) Trade and Industry was in a similar manner established in 1848; certain of its functions, notably the control of the State railways, were entrusted to (8) a Ministry of Public Works in 1878. The Ministry (9) of Agriculture, Public Domains, and Forests, which is of older date (1848), exercises functions formerly in the hands of the Trade and Finance Ministers.

system" which places the real electoral power in the hands of the wealthier classes in each community.[1]

Secondly, there has been a reorganisation of the financial system, and an increasing control by the central authority over the local taxing powers, by administrative methods throughout the century, and, since 1893, by a legislative strict control over the revenues which might be raised by local taxes levied (*a*) in proportion to benefit received, and (*b*) in proportion to general ability to contribute.

In a country which, like Prussia, has absorbed extensive new territories, and developed rapidly a highly complicated internal administration, it is not to be expected that administration of a uniform pattern is to be found. Rhineland and Westphalia still bear evidences of the French occupation, while East and West Prussia are mainly agricultural, and contain many great landed estates. Some of the acquired provinces still retain variations of administration, founded on their respective institutions while still independent territory. "The organisation of local government is rendered complex by historical and systematic elements; it is compounded of old and new—of the creations of history, and the creations of Stein and Gneist";[2] and the same diverse elements of tradition and modern invention are recognisable in the local finances which support that organisation.

The wars of Napoleon had shaken to its foundation the old feudal Prussia, with its rigid bureaucratic system of highly centralised rule, erected with so much care by the

[1] The total amount paid in direct taxes within the area for all purposes is divided into three equal portions. The first class of electors is composed of those whose yearly contributions make up the first third, and sometimes numbers only one to ten persons. The second class comprises those whose tax payments make up the second third of the total, and is more numerous. The great majority of the electors are grouped together in the third class. Certain modifications which do not conflict with the main principle of giving the preponderant vote to the wealthy citizens, have within recent years been adopted. "In Halle in 1899 (before the above modifications had been made) there were 140 voters in the first class, 914 in the second, and 16,645 in the third; and each group returned eighteen members to the town council. (Ashley, p. 155; cf. also "Budget of Berlin," pp. 16—17; and H. de Grais, p. 55).

[2] Woodrow Wilson, "The State," p. 285.

eighteenth century Prussian Kings. It was necessary after the disaster of Tilsit, in 1807, to remodel both the internal organisation and the financial system. The modern administration, a model of its kind, is the result of a persistent, gradual, student-directed evolution from the chaos which prevailed at the commencement of the nineteenth century.

The late survival of feudalism had produced a society graded sharply into castes, with direct opposition of class interests; the great majority of the population were still trammelled by antiquated economic bonds, restricted in the holding of land and in the choice and exercise of trade, and totally devoid of political capacity. The eastern provinces were essentially agricultural and manorial; half the acreage was formed of royal estates, and the administration of such areas rested entirely in the control of the noble landowners; on the other hand, the western territories had been torn away from Prussia by the treaty of Tilsit, and had passed under French influence, vestiges of which still remain. The towns groaned under a decrepit guild system, which had become subservient to Court influence and weakened by the centralising tendencies of Prussian rule since the reign of Frederick William I. (1713—40); the muncipalities suffered from the petty tyranny of royal officials and laboured under a system of taxation which, through the exemptions and privileges of the noble landholders, laid unjust burdens on the burgesses. The provincial assemblies had become, under the absolute sway of the Fredericks, mere shadows of the old Estates; the circles "which from the reign of Frederick the Great had been the real units of Prussian local government,"[1] were, in spite of their historic past, now completely in the hands of the great landlords. Moreover, the long wars had broken down the over-centralised bureaucracy, and left the kingdom's finances in a sadly impoverished condition.

To Stein and Hardenberg is due the rapid recovery which Prussia made during the next two decades. In Stein's brief Chancellorship—of eighteen months, and from which he was driven by the influence of Napoleon, who feared the

[1] Ashley, p. 267.

resurrection of Prussian power—he attempted (1) to substitute a salaried and professional administration and obligatory representative assemblies for the old hereditary and feudal management of affairs, especally in matters of central interest; (2) to establish a reformed system of municipal government for the towns, and to encourage all classes to take an interest in the conduct of local business; (3) to abolish serfdom and enable the growth of a free landed proprietary class.

As a first step in administrative reform, Stein set up in each province Government Boards which should administer all the financial, economic, and military matters which had fallen to the old Offices of War and Domains, which are significant of the two chief elements in Prussian administration of that period. He also contemplated an enlargement of the powers of the nobles in the localities, and a resurrection of the extensive rights of the old provincial Estates. However, this was impossible during his short Chancellorship, and his only other reform was the municipal Edict of 1808, which completely transformed the government of the towns, and formed the foundation and pattern of the municipal institutions which still exist.

"Stein's edict set up a complete municipal system with burgomaster, magistracy (*i.e.*, an executive board), and town council; all to be elective authorities. It swept away the oligarchy of the guilds, widened the franchise, and, whilst opening office to all citizens, laid down the principle that unpaid service to the community was obligatory upon every citizen from whom it might be required. In a natural reaction against the over-control of the previous *régime*, it gave the towns almost complete independence, even in the matter of taxation, only laying down certain general rules, and retaining a modified right of supervision. In general, the control of the State over the administration of the towns was unduly weakened"[1] (a remedy for which was found in the later Edict of 1831, which, while making incorporation easier raised the qualifications of the councillors, extended

[1] Ashley, p. 271; see also Bornhak, Vol. 3, pp. 20—22.

powers of central control, and made obligatory the approval of the central authority for local taxation).[1] The administration of justice was separated from municipal affairs and given to royal officials, and the central government kept control of the "police," either through its own directly appointed agents, or through municipal officials, who, in this matter, acted under its direction and supervision.

Stein had retained the historic Circle. No change was made in its composition, except that its executive officer, the Landrath, who had hitherto been locally selected, was made subordinate to the Government Board. The strings in this direction were drawn tighter by his successor, Hardenberg (1810—1822), who joined two or more Government Board districts under the control of a provincial President, appointed by royal decree, and responsible to the Chancellor for all the multifarious services of the province.[2]

The country communes were left untouched through all this; but the way for future reform was paved by the issue of the Edicts of 1807 and 1811, which removed the barriers against the acquisition of land by others than the noble class, made the communal lands legally distinct from the seignorial estates, and threw open the exercise of all trades.

Under these circumstances it is not surprising that at this period we find that the revenues of the local authorities were founded on the old feudal dues, and consisted largely of rents and personal services, paid in kind or money. Payments for affairs of wider interest, like the roads and schools, were often made similarly, and were assessed to the inhabitants—

[1] The Communal Taxation Law of May 20th, 1820, had been the first step in restriction of the freedom granted in 1808. The Law of 1820 gave the communes resources in the form of Zuschläge to the class tax and the meal and slaughter tax "only with the approval of the Government." By Ministerial circular of February 18th, 1834, the raising of all taxes whatsoever was made dependent on approval. See Reitzenstein, p. 86.

[2] Of the twenty-six Government districts, twenty-one exist to-day practically unchanged. The Provinces were ten in number in 1815; to-day they number thirteen. Schleswig-Holstein was added after the Danish war in 1864; Hanover represents the old monarchy united with the British Crown till 1837. Rhineland, the largest, had, in 1906, a population of 6,436,337; Schleswig-Holstein, the smallest, 1,504,248.

as in the case of the "prestations" for roads, and the school tax, instituted in 1738—on the basis of feudal dues paid. The Royal Code, issued in 1794, emphasised this rule by laying down that "expenses in money are supported in proportion to the imposts established by royal authority."[1] In the towns, poll taxes, trade taxes, and special taxes raised on the pattern of the old payments to the lords of the manor still persisted, and, as taxation for purposes of general utility developed, they were supplemented by fees for special services (justice, police, markets, fairs, etc.), and by local taxes on consumption.

Step by step the Prussian taxes, in which the State and local bodies were, till 1893 (and are still in some respects), intimately connected, were either reformed or initiated. They are the taxes on land and buildings, trade taxes, and the income tax, which is a development of the tax then known as the Class Tax.[2]

"*The Land Tax*, inherited from the eighteenth century, was reformed in the period 1810—20. A new valuation was arranged, and inequalities in the distribution between the different provinces modified. But the survivals of the older system of privilege prevented complete success in this object. In 1821 its yield was under £1,500,000."[3]

The Trade Tax, "probably suggested by the French Patentes, was established in 1810 and modified somewhat after the French war in 1820."[4] All trades and professions were taxed, except (1) enterprises of public utility (exploitations by the State, or local authorities, or public societies earning revenue were, however, subject to taxation); (2) agricultural and forestry occupations, persons occupied in fruit and vine culture (but those engaged in mining and quarrying were not exempt); (3) public functionaries, artists, authors, teachers, doctors.[5] Those subject to the tax were

[1] P. Dubois, "Essai sur les Finances Communales," p. 154.

[2] When the income tax was added to the classes tax in 1851 it affected only incomes over 3,000 marks (£150).

[3] Bastable, "Public Finance," p. 436.

[4] *Ibid.*, p. 460.

[5] In later times co-operative societies specially limiting their sales to members, were made exempt; railways, which paid a special tax, were also exempt.

grouped into three classes: (1) traders and manufacturers; (2) hotel and innkeepers; (3) artisans who employed assistants. The rates of payment varied, as in the corresponding case of the French patentes, with the population. The amount to be raised for State purposes was arrived at by determining an average rate for each kind of contributor for each district, and multiplying by the number of those contributing. This total was re-distributed by the local authorities responsible. The total raised for State purposes was, in 1810, only £90,000.

The complete transformation which local and national taxation in Prussia was to experience in the nineteenth century was, however, initiated by the new *Class Tax* of 1821. Hitherto, the Prussian national revenues had been mainly derived from its enormous property, and from indirect taxes. Local requirements had largely been met from kindred sources. Fiscal needs now demanded a new source, which was discovered in the new tax founded on the principle of "taxation according to ability," and the growing local burdens were henceforth to be borne by additional hundredths to be added to the State taxes on lands and buildings, on the trade taxes, and also on the new class tax.

In keeping with the prevailing ideas of the period, and also because of the simple fiscal machinery available, the classes were divided in accordance with the four grades of society. In the first came the great proprietors, in the second the merchants, the smaller shopkeepers were ranged in the third, and the fourth class was occupied by the artisans and workers on the soil. Each class was sub-divided on a vague principle of taxation according to revenue, but the conditions of classification were arbitrary, and the adjustment to real income must in many cases have been very imperfect. Further, the tax was levied only in the rural areas. In the case of the towns the ancient "meal and slaughtering taxes" were transferred to the State.[1] Local assessment was the

[1] The Law of May 30th, 1820, permitted 123 towns to continue to levy local additional percentages on these taxes; in 1873 these local surtaxes were generally abandoned, and they now exist only in about half-a-dozen towns. See Dubois, "Essai sur les Fin. Com." p. 157; Ingenbleek, p. 192.

rule, and, as we have seen from Stein's Edict, the State retained but very feeble control.

For nearly half a century after the death of Hardenberg no great scheme of a constructive character was carried out in the domain of administration, but certain minor reforms were effected, and changes were made in certain financial arrangements. As a result of the revolutionary movement of 1848, all feudal dues and charges were abolished by a Law of March 2nd, 1850, and an effort was made to incorporate the manorial estates or Gutsbezirke (which had been separated in 1811) with the communes. A Conservative reaction prevented this, and though a half-hearted attempt was made to re-organise the eastern communal areas, it was only in 1872 that the communes were completely constituted as public authorities. A Law of December 13th of that year gave them the right to nominate their "stewards." It took away police powers from the manorial lands, and restored them to the State. The manorial estates were also in form assimilated to the communes,[1] of which they have since had all the powers and privileges which are, however, vested in and exercised by the great landed proprietor, or a substitute nominated by him.[2]

Hitherto we have sketched only the gradual administrative and financial changes of the central authority, and of the town and country communes. But side by side with this new adjustment to changing conditions of the two extremes of governmental institutions, there had slowly, but surely, evolved the necessity of filling in the administrative scheme by the extension of powers of self-government to bodies representative of the wider interests of district and regional areas.

[1] The Gutsbezirke (Manors) are not peculiar to Prussia. Under their older name of Gutsherrschaften they are found in most of the Central European States. In Prussia their position as legal bodies of public utility was first recognised by the Poor Law of 1842. Their present status depends on the later Laws of 1872 and 1891. In the eastern provinces they number 15,829, as against 24,590 rural communes (Gemeinden) of the ordinary type; their population numbers two millions out of a total rural population of ten millions.

[2] See H. de Grais, p. 113.

The Circle Assemblies were reorganised, and constituted as indirectly representative of the great and smaller landowners, and also of the towns in the circle area, in 1825—1828; in 1841—1842 they received powers of self-taxation for local purposes and a full control of their own finances. In 1872 they were again reorganised, and received the form they exist in to-day. The authorities are three in number; the Circle Assembly of at least twenty-five members, elected by three "electoral colleges," composed of

(1) The large landowners and manufacturers;

(2) The smaller landowners and manufacturers and rural communes;

(3) The towns in the circle area.

The *Assembly* meets only about twice a year, and accordingly the real business of administration is carried on by the other two authorities—the Landrath, an executive officer, appointed for life by the Crown on the nomination of the Circle Assembly, and the *Circle Committee*, elected by the Assembly for six years, with the Landrath as permanent president. The Assembly controls its own finances, and raises money for its own purposes and for its contributions to the provincial expenditure mainly by additions to the State direct taxes, which it can do freely up to 50 per cent., but beyond that the approval of the central authority is required.[1]

Towns of over 25,000 inhabitants may by special decree be formed into separate circles, when the municipal authority is endowed with the powers and responsibilities of a civic body of the higher grade. The country circles vary in population from 20,000 to 80,000.

The functions of the circles may be divided roughly into

[1] For Kreis-steuern see H. de Grais, p. 121 *sq.*, "Die Kreissteuern werden in der Regel mit dem gleichen Hunderttheilsatze der Grund- und Gebäudesteuer, der Gewerbesteuer in den Klassen I. und II., und der Staatseinkommensteuer der Kreisangehörigen auf die Gemeinden und Gutsbezirke vertheilt. Ausnahmsweise kann—im Hinblick auf das grössere oder geringere Vorwiegen der Verkehrs-oder ähnlichen Anlagen—mit Genehmigung des Bezirksausschusses der Hunderttheilsatz für die Realsteuern auf das Anderthalbfache erhöht oder auf die Hälfte herabgesetzt werden. Die Art der Aufbringung ist den Gemeinden überlassen." For figures of Circle Taxes see Table V., (Prussia).

two classes: (1) As subdivisions of the provinces, the circle authorities carry out or supervise matters of central interest, and (2) as local self-governing bodies they undertake services which have a wider interest than a purely communal one. They are concerned from one or other of these points of view with (*a*) the administration and especially the finance control of the Poor Law; (*b*) the management and responsibility for the lesser highways; (*c*) dykes and drainage; (*d*) field, industrial, building, and fire police regulations; (*e*) settlements on waste lands; (*f*) the subdivisions of properties and the taxes thereon; (*g*) a general supervision of the lesser authorities (the official districts, the communes and the manorial estates); (*h*) educational matters; (*i*) public health; (*j*) matters connected with justice (*e.g.*, setting up of lists of jurymen, etc.); and (*k*) in recent times they have formed the sections for management and control of the system of insurance for old age and invalidity—particularly of the agricultural and other workers in the country districts. Their revenues are derived from property (to a very small extent), from fees, special contributions, subventions from the State directly out of the Ministerial budgets (notably for police), and from the Province out of the Provincial Fund (which is a State fixed grant handed over by the central exchequer to the provinces for the performance of certain duties which in the seventies were taken over by the local governments); for the larger part the circles, however, obtain their revenues from taxes which are assessed on the communes and landed estates in the circle area, the Circle Assembly suggesting at the same time the proportions in which the precept amounts should be raised by percentage additions to the "real" taxes and the income tax.[1] The circle percentages are generally levied in equal proportions from the land and building taxes, the trade taxes in Classes I. and II. (comprising all profits over 20,000 marks), and the State income tax, and divided out for collection by the communes and estates comprised in the circle area.[2] Special taxes which are still permitted to the circle authorities

[1] H. de Grais, p. 121.
[2] See Kreis Budget in Appendix.

are additional licences for sporting guns and dogs (limits of increase being fifteen marks for residents and forty marks for strangers); an increase of ordinary dog licence by five marks; and hawkers' licences in places of less than 2,000 inhabitants, the corresponding returns in the larger towns going to the communal authorities.

Three years later, in 1875, the Provinces were organised on a broader basis by the Provincial Law of that year, which constituted the following as the responsible provincial authorities:—

(1) The *Chief President*, who is a purely professional officer nominated by the Crown, and possesses executive powers in central and local affairs which in ordinary times are very great, and which in times of disturbance amount to almost absolute control of both military and civil affairs.[1]

(2) A *Council to assist* him, composed of one professional, appointed for life by the Minister of the Interior, and five lay members selected for six years by the provincial committee. This Council has direct powers over a very limited range of subjects (markets and road construction being the chief), but its indirect powers as court of appeal from the lower bodies are very great.

(3) A *Provincial Assembly*, indirectly elected by the circles on a population basis for six years. (The circle is the unit for provincial representation and taxation.)

(4) An *Administrative Provincial Committee*, formed of eight to fourteen members, selected from and by the Provincial Assembly, half retiring each third year. This committee is presided over and largely influenced in its administration by an executive director, a salaried official elected for six or twelve years, and approved by the Crown. The Assembly must meet once in two years, but may do so oftener, and sits as long as the business it was summoned for by the Crown requires.

These reforms of 1872—1875 are notable for the infusion of a non-professional element into the work of administering both provincial and circle business, for both central and local

[1] For provincial authorities, see H. de Grais, pp. 123 *sq*.

matters; and they included a readjustment of boundaries, so that the areas for the administration of services of both kinds should coincide in all the grades, except, curiously enough, the province itself. Here the efforts at consolidation were unsuccessful, mainly owing to the opposition of the Prussian Upper House. Accordingly, the administrative authorities in the province must be distinguished into—

(1) Boards of general provincial government (the Government district boards, and Committees for central administration); and

(2) Organs of the provincial unions (the Provincial Assembly and Committee for local provincial administration).

The duties of the Provincial Assembly and its committee cover the provision of Poor Law and benevolent institutions for destitute sick, insane, deaf mutes, imbeciles, blind, and for deserted children. They subsidise educational institutions in art and science, supervise regulations and provisions for fire protection, contribute to agricultural instruction, experimental schemes, and improvements; they construct and control the provincial roads; they administer the Provincial Funds for the carrying on of services which have been entrusted to them by the central authority, and for the efficient carrying on of circle government; and within recent years they have become the districts for the management and control of the State's compulsory insurance schemes for sickness, old age, and invalidity.

As measured by necessary and actual expenditure, the most important services in provincial control are: Roads and light railways, Poor Law and correctional institutions, care of the insane, idiots, and epileptics, deaf mutes, and blind; of children deserted and of tender age; agricultural improvements and instruction, and subsidies for the encouragement of scientific and artistic training.

An examination of the provincial budgets discloses the fact that of their ordinary revenue, considerably more than one-half is derived from State contributions which appear in the budget of the Minister of the Interior.[1] (In 1901—1902 the

[1] See Table IV., in Appendix

provincial revenue was, in round numbers: Provincial taxes twenty-seven million marks, State subventions thirty-six million marks, from property three and a half million marks, extraordinary from loans nine and a half million marks.)

This extension of duties to the provinces was accompanied by the grant of a subvention known as the Provincial Fund, which was fixed by a Law of 1873, supplemented by laws of 1875 and 1877, and the State has since 1873 increasingly contributed largely to the expenses of the superior local bodies, the declared reason being that they were henceforward to have the care and control of certain branches of administration hitherto administered and financed directly by the central authority.

Already, in 1867, a small "dotation," or general grant, of 580,000 marks had been made to the provincial authorities of the older type, increased by another million and a half to Hannover in 1868. The purposes of these early grants were as from 1868, fixed in the Dotation Law of that year.[1] The subsidies were to go exclusively, but with the discretion as to sub-division remaining in the hands of the provincial authorities, to (1) general administrative expenses; (2) furnishing of libraries, and artistic and scientific encouragement; (3) support of the blind and deaf in Poor Law institutions, and to Jewish schools and synagogues; (4) main roads (Chausseen) service; (5) land improvement schemes and similar objects.

Small grants of a similar type followed to the Government districts of Cassel (one million marks) and Wiesbaden (half a million) in 1869 and 1870.

These somewhat insignificant "dotations" were but forerunners of the more substantial aids to local expenditure which were rendered necessary by the Circle Law (Kreis-Ordnung) of 1872 in all the Eastern provinces except Posen. This law handed over to the circles considerable increase of powers over school affairs, and intermediate or district roads.

[1] For a detailed history of the Prussian grants see Kaufmann, "Die Kommunalfinanzen," Vol. 2, pp. 420 *sq.* Reitzenstein in Schonberg Handbuch, Vol. 3 (2), pp. 40 *sq.* For proportions of Provincial and Circle revenues, see Tables IV. and V. (Prussia) in Appendix.

Accordingly, in 1873, the Dotation Law of that year provided that the State should pay over to the circles the sums it had itself hitherto spent under the heads of police and school administration. The sums were to be handed over by the central exchequer to the provincial authorities in the first place, and by them sub-divided among the circles in proportion to need (nach Massgabe des Bedürfnisses). In 1873 the operation of the Circle Law was extended to all the provinces of Prussia, and a Dotation Law fixed the total sum necessary for the carrying out of the Law at six millions of marks.

Two years later, in 1875, the grants were increased by a further sum of 7,400,000 marks, bringing the total now granted by the central exchequer up to over thirteen millions. Of the additional grant the highest sums went to East and West Prussia (2,085,696 marks), Brandenburg (1,172,106 marks), and Posen (1,546,011 marks). Berlin got 345,519 marks and Frankfort-on-Maine 47,079 marks. The objects which might be aided were specified in the Act as (1) increase and improvement of roads; (2) land improvement; (3) Poor Law relief; (4) institutional treatment of incorrigibles and of the insane, blind, deaf, and dumb; (4) art and science; (5) any other benevolent purposes which the previous Laws had sanctioned. The sub-divisions of these provincial and circle grants were legally to be made half in proportion to area, and half in proportion to population ("zur Hälfte nach dem Flächeninhalt, zur andern Hälfte nach der damaligen Bevolkerungszahl"). The underlying motive of this principle of allocation was to afford assistance to some services which were considered heavier in proportion to population, *e.g.*, poor relief and asylums; and to others heavier in proportion to area, *e.g.*, roads.[1] In addition to these augmentations of

[1] The sums paid to the various provinces in 1875 were:—

	M.		M.
Prussia (East & West).	2,085,696	Westphalia . . .	1,363,284
Brandenburg . .	1,172,106	Rhine Province . .	2,326,635
Pomerania . . .	990,513	Hohenzollern . .	62,433
Posen	1,546,011	Berlin	345,519
Silesia	1,748,493	Frankforte-on-Maine .	47,079
Saxony	1,037,646		
Schleswig-Holstein .	952,929	Total grants .	13,680,000
Hanover . . .	1,656		

the old grants, a further "dotation" was made in later sections of the same Law (of 1875) to the provincial authorities, amounting to nineteen million marks, of which a quarter of a million went to Berlin, for the administration and maintenance of the State roads, which were at this juncture to be handed over by the Provincial Law to those bodies for care and control. Of these nineteen millions, fifteen millions were intended as a precise substitute for the costs hitherto borne by the State, and to be expended in similar fashion; the remaining four millions were to be shared among the provinces in proportion to extent and population ("nach dem Massstab von Land und Leuten). At the same date small grants were made to the same authorities for training in midwifery and institutions for that object (128,696 marks), and for agricultural instruction (145,450 marks), which were to be distributed as the State had hitherto done.

Including all the grants, both to the provinces for their own special purposes and those which they were to sub-divide at their discretion among the circles, the totals were in 1875:—

	Marks.
General "dotations" to provinces according to Law of 1875 . .	13,150,845
„ „ Wiesbaden . . .	426,000
„ „ Hanover . . .	1,500,000
Special grant to provinces for main roads (Chausseen) . . .	18,677,284
„ „ „ „ „ midwifery, etc. .	128,696
„ „ „ „ „ agricultural schools	145,450
Certain compensations to certain areas under Law of 1875	6,420
Total of grants (without Berlin) . . .	34,034,695
Grants to Western Provinces and Posen for distribution among circles for administrative purposes	1,330,767
General total of all grants	35,365,462

Their distribution in outlay upon the various specified legal objects in need of assistance may be gathered from the figures of 1901, as in the interval little change had taken place.

	Marks.
Grants for general purposes[1]	15,121,410
,, ,, main roads	18,667,224
,, ,, midwifery	128,702
,, ,, agricultural schools	145,450
,, ,, other purposes	276,914
,, ,, carrying out the Circle Law . . .	1,330,767
Total	35,670,467

Meanwhile the growing necessity of obtaining larger resources for all grades of governmental authorities, central and local alike, had led to the introduction in 1851 of the income tax, under the name of *Classes and classified income tax*, as a supplementary development of the older class tax, in which the basis of classification was not a vague division into social categories, but an economic division into groups according to presumed amount of annual income.

It applied only to incomes over 3,000 marks (£150), and the amounts payable were equivalent to 3 per cent. on the lowest sum of a particular group.

Thus, incomes between £600 and £720 paid £18; between £12,000 and £15,000 paid £360; all over £36,000 paid £1,080.[2]

The assessments were made by local committees, according to external signs of wealth, and the mode of life of the persons made subject to the tax; this allowed to the local bodies, in the absence of any precise instructions, considerable latitude in their assessment. The methods of appraisement varied largely from district to district, and were a constant source of grievance; but the central legislature at this period resolutely set itself against compulsory declaration or even any precise mathematical basis for assessment. Even the law reforming the income tax in 1873, which fixed the general rate at about 3 per cent., and somewhat relieved the smaller incomes, laid down that any offensive inquiry into the available resources of the contributors was forbidden. Fraud and error accordingly were rampant, systematic, and officially connived at, under the idea that public opinion was not yet

[1] "Stat. Handbuch für den Preuss. Staat," IV., p. 620.
[2] Bastable, "Public Finance," p. 486.

ripe for more stringent methods. The loss of revenue caused by these very unsatisfactory assessments was considerable.

"That business men and manufacturers are taxed only to the half of their income, everyone is aware; and it would appear that persons in receipt of incomes from investments are still better treated," says Professor Neumann. "The upper classes are assessed at only one-half of their income," is the similar opinion of Dr. Von der Golz. Speaking at a later date, Von Miquel declared that they "had then only the caricature of a tax on revenue."[1]

The local additions to the direct taxes had been since their inauguration in 1821 a very considerable source of revenue to the communes; indeed, the proportion is unparalleled elsewhere. While in France in 1877 the ratio of additional centimes revenue to total income was $\frac{138}{550}$, and in Belgium, in 1880, $\frac{11}{92}$, in Prussia it was $\frac{71}{108}$ in towns and $\frac{48}{63}$ in country communes.

Prior to 1893 the communes could not without superior approval levy more than 50 per cent. on the State taxes, but the authorisation must have been very general, for in 1884 the average number of local additions were:—

	Towns.	Country Communes.
Local percentage addition to land tax . . .	64·3	63·1
„ „ „ „ building tax . .	35·7	72·2
„ „ „ „ income tax . .	146·0	146·7
„ „ „ „ trade tax . . .	10·8	33·2

And to these must be added the special local taxes on the same bases where the two were levied concurrently, for it must be noted that the method of additions to the State taxes was not compulsory. The old autonomous liberty of

[1] Ingenbleck, pp. 193—195: Bismarck was a determined opponent of the class and classified tax. On June 12th, 1884, speaking in the Reichstag, he said: "It is an institution which exists no more to my knowledge, outside of Prussia and some states of North Germany—except in Russia and Turkey. The class tax which we alone among civilised nations retain, excludes by its very nature all semblance of equity. It persecutes and ruins the workers for most insignificant returns." In 1880 the number of persons paying in Prussia was 5,087,470; to enforce the tax 1,004,739 judicial seizures were made; of these 438,973 were sustained by the courts, of which 254,166 were cases of workers or working-class households.

local taxation had been in this direction preserved, and it brought as a consequence, what might be anticipated, great inequality with corresponding economic injustice between different districts, sometimes adjoining. Similar grievances arose from the liberty within the same area of levying any needful funds on either the "real" taxes or the personal ones. As justification of these local taxes in the mouths of their supporters, it was urged that they offered a means of rectifying the inequalities of assessment of the State taxes; a contention often likewise put forward in Belgium where this system of special local taxes is more widely spread and highly developed than elsewhere in Europe. Local taxes on revenue also were largely fed from share companies, co-operative societies, and railways; a special Law of 1885 being passed to regulate the assessment for local purposes to prevent double taxation. Local knowledge had been useful in these special taxes, the rates of payment being arranged more in accordance with local conditions than those of the general income tax; they often, too, discriminated between earned and unearned incomes.

The greater facility of getting revenue by these means had tended to discourage the more expensive and less fruitful collection of indirect taxes on consumption. The super-tax on bread and meat which had been allowed to certain exceptional towns on the general transfer to the State in 1820 had been gradually abandoned for reasons of unpopularity and excessive costs of collection. Even so late as 1892 only three and a half million marks were obtained from this source. In other than the excepted towns, articles of consumption might be taxed (except meat, grain, meal, bread, potatoes, and fuel) with central approval, which also was necessary for the abolition of the tax.

Reference to the tables in the Appendix shows how contributions of all kinds for communal purposes, and for school and church purposes (which were administered by local bodies recognised as of public utility, and possessing the privilege of requiring contributions to be made from all householders and citizens towards the particular services in

their charge, contributions which were levied as additions to communal taxes and on the same bases)—all local charges had been steadily increasing, and the practice of obtaining the bulk of their revenues by the easiest method of addition to the direct State taxes had become almost the universal practice of the local authorities of all grades and types in town and country alike.[1] This continuous practice was mitigated to some extent, however, by the persistence of some ancient local taxes, direct and indirect, in certain few and limited areas; and to a greater extent by the fact that an important source of revenue still was maintained in municipal lands and forests, which at this period provided twelve million marks towards a total town income of 253 million marks, and in the rural communes twenty million marks out of a total revenue of 101 million marks; as a consequence, 600 rural communes and twenty-one towns thus specially favoured were in the fortunate position of being able to meet all expenses without recourse to local taxation at all.[2]

The leading characteristics of the period 1880 to 1893—the period of the consolidation of local government, and of the initiation of large municipal enterprises, and of the widening of demands for services of general utility, such as education—were:—

(1) An excessive and almost exclusive resort to additional percentages to the State income tax with imperfect and defective valuation.[3]

(2) The almost entire neglect of indirect taxes.

The income tax local additions grew rapidly as the older services were extended and new contingencies arose. In towns over 10,000 they reached 76 per cent. of the tax revenue, and in other smaller ones they formed almost the entire available means from compulsory sources.

To relieve the stress a measure, confessedly temporary and

[1] Cf. Row-Fogo in *Economic Journal*, Vol. XI., pp. 356 *sq.* In some of the towns over 10,000 the communal additions to State income tax reached 76 per cent. of tax revenue; in some smaller towns as much as per cent.

[2] "Die Verwaltung des Gemeindevermögens unterliegt der staatlichen Aufsicht." H. de Grais, p. 103.

[3] See Table II. (b) in Appendix.

from its nature and practical application bound to be so, known as the Lex Huene, was passed in 1885. It was a "Kommunalsteuer Notgesetz," and the subvention which was granted by the central authority in pursuance of it is especially noteworthy from the fact that it is the only general State grant in aid of local burdens which has ever been permitted by Prussian financiers.

By this law the surplus over fifteen million marks (which the central authority retained) of the Prussian share of the then recently increased Imperial customs duties on cattle and agricultural produce was to be divided among the circles and communes, two-thirds in proportion to the amount paid by them in direct State land and buildings taxes, and one-third in proportion to population. It was confessedly a relief measure, and in no sense dependent on efficiency of any of the services which profited from the funds being handed over; and it is to be noted further that the surplus remaining over the fifteen millions was a fluctuating amount. The amounts actually paid over were about four million marks in 1886, six million marks in 1887, fifteen million marks in 1888, 29½ million marks in 1889. The amounts gradually fell to twenty-four millions in 1892, when the assignments ceased on the inauguration of the new system of local taxation and finance by Dr. Von Miquel in 1893.

The history and results of this general grant made in pursuance of the Law of 14th May, 1885, the Lex Huene, may be seen from a report presented to the Prussian House of Representatives on May 30th, 1891.

An inquiry had been made to establish secure information on three heads[1]:—

(1) How far the grants had been used by the circle authorities to decrease their former taxation on old services.

(2) How far the grants had served to avoid higher local taxation for the fulfilment of duties in respect of (*a*) old services and (*b*) new services.

(3) How far the grants had been applied to unproductive purposes.

[1] Finanz Archiv., Vol. X., pp. 468 *sq.*

The circle authorities were required to furnish information showing—

(*a*) The actual decrease of usual circle taxes.

(*b*) The amount of the grant applied so as to avoid raising new taxes for new services.

(*c*) The relief accorded out of the grants to the school authorities.

(*d*) The assistance accorded out of the grants to the Poor Law authorities.

(*e*) The amounts handed over by the circles to the town and country communes.

Under the second heading they were required to give in detail the relief granted for specific purposes (road maintenance, road building, erection of circle buildings, amounts for poor relief, debt reduction, etc.). In spite of precise instructions the returns were somewhat vitiated by variations of interpretation of the term "usual circle taxes" and "new taxes" in (*a*) and (*b*).

The results of this inquiry, which included the whole of Prussia, except the territory of Hohenzollern and Berlin, showed that while in the year 1889—1890 there were handed to the circles from the agricultural customs duties sums of 27,297,675 marks, yet in town and country circles together taxation had increased some 8,713,660 marks over its amount in 1885, but in the country circles taken separately had fallen some 4,906,819 marks.

The figures were:—

KREIS TAXES FOR ALL PRUSSIA.

Town and Country Circles Combined.		Country Circles Alone.
	Marks.	Marks.
1885—6	68,555,098	27,745,281
Average per cent. of direct State taxes levied	41·16	29·31
1889—90	77,268,759	22,838,462
Average per cent. of direct State taxes levied	39·24	24·37
Total of all five years—increase in taxation	25,122,248	Total of all five years—decrease in taxation, 7,665,607 marks.

While there had been only

In 1885—86 33 tax-free circles,

„ 1890—91 there were 130 „ „ „

Of the sums which had been handed over to the circle authorities in the period from 1886—87 to 1889—90, there had been devoted by them to:—

	Marks.	Percentage of Whole Grant.
Actual reduction of regular circle taxes	7,665,607	18·03
Avoidance of raising taxation for:		
(*a*) Old services	15,692,903	36·93
(*b*) New „	11,803,081	27·77
Relief of school burdens	205,618	0·48
Assistance to Poor Law authorities	195,993	0·46
Grants to town and country communes	1,171,554	2·76
	36,734,756	86·43
Remained unappropriated	5,764,038	13·57
Total grants from agricultural customs duty	42,498,794	100·00

Similar figures for the period 1886—87 to 1890—91 were:—

	Marks.	Percentage of Whole Grant.
Actual reduction of regular circle taxes	16,599,621	20·73
Avoidance of raising taxation for:		
(*a*) Old services	22,576,702	28·20
(*b*) New „	24,623,769	30·75
Relief of school burdens	378,912	0·47
Assistance to Poor Law authorities	442,164	0·55
Grants to town and country communes	2,912,256	3·64
	67,533,424	84·34
Remained unappropriated	12,539,179	15·66
Total grants from agricultural customs duty	80,072,603	100·00

The unsatisfactory working of this arrangement which allowed the local authorities to saddle the central exchequer with the expense of many local services in which the central authority was not particularly interested, coupled with the fluctuating character of the surplus which was sadly needed to meet the necessities of the central government for national purposes, rapidly led to the complete overhauling of the relations between central and local finance which is associated with the name of Dr. Miquel.

Throughout the whole period under review, payments for special services and advantages, fees (Gebühren) and contributions (Beiträge) had, outside the domain of taxation within which they were not reckoned, continuously figured largely in the revenues of the communes. Of ancient origin and immense variety, they, in consequence of the liberty accorded to the communes in making up their budgets, covered services of water supply, refuse removal, superintendence of demolition and building construction, tolls on bridges, roads and canals, etc.

It was the general necessity of co-ordinating these three main branches of local revenue—

(1) The additions to the income tax;

(2) The inequalities of special taxes on the basis of the direct State taxes, between various districts

(3) The relation of special payments for certain services to general taxation—which occasioned the long discussion and agitation, culminating in the reform of 1893, which we must now consider.

CHAPTER XVI.

Prussia, since 1893.

The New System in Operation.

On the one hand it was contended by the strongly individualist school that "communal impositions represent only the remuneration of services rendered by the communes to individuals; local taxation has for its base exchange and interest and ought only to comprehend special fees for services rendered, and special contributions for special advantages (Gebühren und Beiträge). It is necessary to return to a normal situation, where will predominate, in place of the communist principle which at present rules, the only equitable rule of service rendered and paid for" (Leistung und Gegenleistung).[1]

The Socialist school, on the other hand, maintained that an absolute principle could not be laid down for local taxation; there could be neither the single rule of payment according to interest, nor the single rule of proportionality to faculty, but a combination of the two elements was necessary. Taxation must be divided as the services rendered in the commune were divided; to the general expenses of the commune corresponded the taxes levied according to general ability to contribute; services which favoured a special section, or conferred a special advantage, should be met on the principle of exchange. "The taxes, properly so called, must, therefore, co-exist in a certain proportion with special fees and contributions, and the State was alone able to lay down the rule necessary for the practical determination of that relation."

[1] Dubois, "Essai sur les Finances Communales," p. 167. Cf. also Faucher, "Staats und Kommunal Budgets"; A. Wagner, "Die Kommunalsteuerfrage."

It was the second view which ultimately prevailed.

Projects of reform in this direction had been for some time under discussion by the central authorities, provoked by the excessive additions to the income tax and the breach of the canon of benefit,[1] which was rendered the more onerous owing to the defective valuation. In 1873 a bill had been introduced, and another in 1875; but beyond alterations in the income tax of the nature of relief to the lower class contributors nothing had been done.

The advent of Dr. Von Miquel to the Ministry of Finance supplied the man for the task of reorganising both State and local finances, and of establishing the principle that personal taxes should chiefly go to the State, "real taxes" should belong to the local authorities. Four laws, passed in rapid succession, formed the outcome of the theoretical division :—

(1) The Law of June 24th, 1891, establishing a reformed income tax.

(2) The Law of July 14th, 1893, suppressing certain direct State taxes.

(3) The Law of July 14th, 1893, creating the complementary tax on capital.

(4) The Law of July 14th, 1893, relative to local taxes.

The income tax with a complementary tax on funded property were to supply the State's need—the land, buildings, and trade taxes were to be handed over to the local authorities, the central authority meanwhile supplying the cadastre and being responsible for the expenses of assessment.

The fourth of the above-mentioned laws is the one with which we are most concerned; it condenses and emphasises the ordinances and laws which had been previously passed, notably the one of 1885 relating to local additions to the income tax, and for the first time in Prussian history insists on the principles : (1) of limitation of the local percentages

[1] In spite of the ordinances of 1831, and the Laws of 1850 and 1853, the additional percentages to the income tax had steadily grown in town and country alike, side by side with special traditional local taxes and local taxes on income and immovable property. For communal treatment of the Prussian Income Tax, see Cohn, Vol. I., p. 208.

to the State income tax ; (2) of compulsory self-declaration of income; (3)of strict regulation of the amount which may be levied by the "ability" taxes on income, and by the "benefit" taxes on real property and trade.

The motives behind the scheme of reform were: (1) to multiply by encouragement the communal indirect taxes ; (2) to increase the practice of charging special fees and contributions ; and (3) to limit the local additions to the State income tax.

The preamble of the Act of 1893 says: "It is well known that the communes have not only public functions to fulfil but also functions of a private order. Their charges are, therefore, divided into public and private charges, and as the former ought to be supported by the inhabitants according to their contributing ability, so the latter ought to fall on those who profit from the services of a private order, and in the same proportion as they derive benefit from them."

It was by the development of the second maxim that relief was to be obtained for those who complained of the injustice arising under the old condition of affairs.

The three first articles of the law K. A. G., 1893, read:—

Article I.—"The communes are authorised, in order to cover their expenses and meet their needs, to collect in conformity with the conditions of this present law fees (Gebühren) and special contributions (Beiträge), indirect and direct taxes, and to demand personal services."

Article II.—"The communes must use the power granted to them of collecting taxes only in proportion as their revenues and especially the product of the communal domain, as well as the resources put at their disposal by the State or the higher local authorities, are not sufficient to cover their expenses. This restriction does not apply to the taxes on dogs, on articles of luxury and other analogous objects."

Article III.—"Industrial enterprises undertaken by the communes must, as a general rule, be administered so that the receipts may at least balance the expense incurred by the

communes in connection therewith, including interest and sinking fund."

The law for the suppression of direct State taxes (Gesetz wegen Aufhebung direkter Staats-steuern, 1893) completed the scheme by providing that the produce taxes (on land, buildings, and trades) should cease to be raised for central purposes, but should continue to be assessed at the expense of the State so that they might be raised for local purposes at the discretion of the local bodies, and in smaller or larger percentages. Permission to impose special produce taxes was allowed (except taxes on rent and lodgings) where they already existed, but the permission was to be applied for anew, and if not granted before April 1st, 1898, the power of levying the tax was thereby cancelled. As already noted, very few towns retained this power. Local income tax revenue might be raised generally in the form of an addition to the State income tax. Special local taxes on revenue then existing might be maintained if approved by the supervising authority, but new powers would only be granted in very exceptional circumstances and after a rigorous examination of the local authority's financial arrangements and needs.

The third article gave the superior authority a right of interference to insure that municipal undertakings were not run at a loss; but though the communes were, and are still, encouraged to make a profit which shall be applied in relief of general taxation, the superior authority has no power to compel them to do so. The only legislative restriction on the amount of profit that may be made is in the case of slaughter-houses; as this affects an important article of consumption the limit of profit is fixed at 8 per cent.; "if there is a local duty on meat, then at 5 per cent." The central authority looks to public opinion to prevent inordinate profits being made in this manner.

The local revenues thus defined and limited may accordingly be analysed into—

(1) Payments for services or special advantages (Gebühren and Beiträge).

(2) General taxes (Steuern) which consist of (*a*) taxes on certain kinds of wealth for covering that portion of local expenditure from which those forms of wealth derive especial benefit, and which is not covered by special payments ; (*b*) taxes on all kinds of wealth for covering expenditure on objects of general utility, where one person is assumed to derive no more benefit than another.

The payments which must be resorted to in the first instance must, however, be remitted either where the persons affected are too poor to pay, or where, though the primary benefit is greatest and measurable, yet the institutions are of value for the promotion of the general interest. Perhaps under this second exception may be ranged police protection and primary education, which, though locally administered and the expense largely locally borne, yet are considered of national interest and concern.[1]

The taxes which may be levied for local purposes are direct and indirect, the terms being used, as in France, in the administrative sense, a direct tax being one levied in accordance with a cadastre or assessment roll.

As already observed, the powers of the Federal States, including, of course, Prussia, to authorise locally taxes on articles of consumption, which supply the great part of the Imperial revenues, are limited (though not in express terms) by the Constitution of the Empire; moreover, Prussian legislation prohibits duties on necessaries (meal, meat, potatoes, fuel, etc.) except where they have long existed.

The Law of 1893 inferentially encouraged the growth of indirect taxes within these limits, and special resolutions of both Houses were passed in confirmation of that policy. The people generally, however, are hostile to local octrois. Among the permitted taxes should also be noted a tax on dogs (*i.e.*, 20 marks on each dog over three months old), which is general, though not obligatory as in France, and on amusements (concerts, theatrical entertainments, travelling shows, etc.); these can only be imposed or abolished by special

[1] Cf. Miquel's speech.

authority. The revenue obtained from all the foregoing sources must be proved insufficient before recourse can be made to the direct taxes.

The Prussian taxes in which the State and local bodies are intimately connected are the land, building, and trade taxes, and the income tax. Since 1893 all revenues from land, buildings, and trades have been allocated to the local authorities, the central authority merely supervising and paying for assessment; from the tax on incomes, however, both reap revenues, the principal of the tax going to the national exchequer, while, under firm legislative and administrative control, the local bodies may obtain resources from additional percentages imposed by vote of the responsible local authority.

The Land Tax is levied on the annual revenue derived from agricultural land. The separation of such land from that built upon (which pays building tax only) was effected by the reform of 1861, which provided also for a revaluation which occupied the period 1861—65.

As in France, the cadastre or assessment roll is a work of much difficulty, labour, and expense, and is only renewed as a whole at very long intervals.[1] The latest, upon which many districts are largely still assessed, came into force in 1865; partial renewals, however, are possible under certain conditions. The Act of 1861 determined that a total land tax of 39,600,000 marks should be raised annually, and this was distributed for levy among the various local areas in proportion to the value of their assessment calculated on the net annual revenue from land. The assessment was undertaken by local committees presided over by a Government Commissioner and paid for by the State.

[1] "In an article published in 1860, just before the last land tax valuation, the total value of agricultural land in Prussia was estimated at £663,500,000, or 13,269,000,000 marks. Calculating the average return for agricultural land at 3 per cent., and in view of the total of the land tax fixed by the Law of 1861 (£1,980,000), this would have given at that time a rate of 9·9 per cent." See "Reports on Taxation of Land and Buildings in European Countries," C. 6209 of 1890, p. 30. The new provinces added to Prussia as a result of the war of 1866 increased the total by about half a million pounds.

The principle rigidly adhered to was that of obtaining the net annual value arising from the land by ordinary methods of cultivation and management, regardless of any other conditions of the privileges or burdens of landholding, but deductions were permitted for proved capital invested and costs of administration. No allowance was made for debts or mortgages, nor was any increase made for any favourable circumstance, such as being in the vicinity of a railway or market town, etc. Exemptions from taxation were granted to lands belonging to the Empire, the State, or any local body, and to certain peers; and, in the case of buildings, to those erected and maintained in connection with any work recognised as of public utility, *e.g.*, hospitals, schools, churches, orphanages, prisons, etc.

The tax in 1861, laid on the assessment of that period, represented 9 to 10 per cent. of the annual value of land as totalled in the complete return effected in 1865. The local assessment lists were placed in the custody of the local authority, and alterations have since only been possible when (1) the land becomes built upon, or (2) is rendered useless (temporarily as by inundation, or permanently), or (3) when the land is rendered considerably less productive or *vice versâ*. The burden of proof is thrown on the claimant, who has the right of appeal from the Commissioners to the Administrative Courts.

The period which has elapsed since 1861 has necessarily brought its changes. While town land can readily bear its share of the burden fixed fifty years ago, owners of agricultural land complain, in view of the recent condition of agricultural pursuits and falling rents, of being burdened with more than their fair share. The distribution of the weight of the tax has been much disturbed by the fluctuations of agricultural rents, and varies now, in different districts, from 4 or 5 to 9 or even more than 10 per cent. of annual value; to these amounts must also be added the local additions which have since been made, and which in some districts are steadily and rapidly growing.

In view of the present discussion as to valuation of sites,

particularly in urban areas in England, it is interesting to observe that plots of ground on which buildings are erected become subject to the buildings tax in substitution for the land tax which they were previously subject to; accordingly no division is made between site value and construction value.

The legislative instruction in the Act of 1893 laid down the principle of the assessment of the land and buildings taxes as follows: "The assessment to be based on the net yield or annual value for one or more years, according to the rent or letting value, or the market price of land or buildings, according also to the graduation of property already existing in the commune" (Art. 15). (The last clause refers to the classification of farms by size in some districts.)

Probable building sites in the neighbourhood of towns which are held up for speculation are amenable to exceptional treatment. The local assessors must allow for the enchanced value, but the method of appraisement is left entirely within their discretion. Great difficulties have attended several attempts of this kind to forestall future values.

"The Berlin Municipal Report complains that great difficulty was found in this sort of assessment. Two thousand one hundred and twenty-four plots were examined, and the assessment was protested against in more than half the cases. The amount of tax raised was £1,300, but the inconveniences attending it were so great that it was decided to abolish the tax altogether.[1] . . . ." "The best method would be to take the increased selling value"[2]—the method followed, as will be seen in a later chapter, in the more recent municipal land taxation schemes of many of the German towns. The taxes on immovable property, whether land or building tax, are paid by the owner, who also (in the towns) generally pays charges for water supply.

The total receipts from Prussian land tax for national

[1] Dipl. and Cons. Reports, No. 487 of 1899. A similar method was proposed in Frankfurt in 1894, but was never carried into effect.

[2] Circular of M. of Int. of October 2nd, 1899, and the Mem. of 1904 (translated in H. of C. paper 173 of 1906).

purposes was, in 1882–83, 40,134,170 marks; in 1883–84, 40,128,629 marks; and in 1890–91, 40,032,000 marks. In 1893 it was transferred to the local bodies, and brought in, in 1897–98, 41,632,500 marks; and in 1906–7, 41,444,000 marks. Prior to the transfer the additions for local purposes ("Gemeinde Abgaben welche auf die Zuschläge zur Staats-Grundsteuer entfallen") amounted in 1883–84 to 19,923,934 marks.

The Buildings Tax was differentiated from the land tax in 1861, and has been separately levied since 1865. It is a tax on rents of dwelling-houses (4 per cent. of annual value) and other buildings (2 per cent.). In calculating the annual rent of houses the average of the past ten years is usually taken. In the case of buildings they are generally classified according to dimensions, style, use they may be put to, and the general conditions of the farm or other grounds they may be related to. From house rents deductions are made of any payments to the landlord other than for housing accommodation, *e.g.*, water supply, gas, refuse removal, or any other matter of personal arrangement, the maximum allowed for all these payments being about 8 per cent. Assessments are, as in the kindred case of land, made by the local committee assessors, presided over by a commissioner appointed by, and responsible to, the Minister of Finance. In certain cases, where local influences might be brought to bear on the local assessors, the valuation is taken out of their hands and determined by the General Tax Commission on the report of specially appointed agents. This occurs when (1) the rent paid is more than 25 per cent. below current prices, or (2) if the amount of rent is dependent on the business done by the particular commercial or industrial undertaking concerned, or (3) if the rents are paid for restaurants, etc., let to foreign or temporary occupants.

Any alteration involves a possible new assessment, but the increased taxation only begins two years afterwards. In Berlin a general re-assessment takes place every four years; in the country generally every fifteen years.

As with the land tax, the percentage addition for

communal purposes is determined each year by the municipal council.

The National Exchequer receipts from building tax in 1882–83 were 27,919,740 marks; a year later they were 28,366,337 marks. The total for 1890–91 was 32,375,000 marks.

With the land tax it was in 1893 transferred to the local bodies, and realised for them: in 1897–8, from houses, 50,486,000 marks; from other buildings, 3,968,100 marks; and in 1906–7, from houses, 68,644,000 marks; from other buildings, 6,114,000 marks.

The Gemeinde Zuschläge, or local additions, amounted in 1883–4 to 12,780,451 marks.

The Trade Tax.—Like the two preceding taxes, the trade tax, as far as the State is concerned, exists on paper only. Since 1893 the communes and other local authorities have obtained revenues by additions to a "paper principal amount," whose assessment is retained by the State. This arrangement, according to the Law of 1893, was only provisional, but no change has yet been made. At that period, just prior to the transfer, the tax yielded to the State a little under a million sterling, and was levied on all trades (with certain legal exceptions) with profits of over £75 a year. If any particular commune wishes to substitute a graduation of trades of its own for the State scheme it may do so with approval of the Minister of Finance, who readily yields to local wishes and convenience, with an eye to increasing the fruitfulness of the tax. The State scheme groups all traders in four classes, according to (*a*) estimated profits, and (*b*) capital employed, and the tax levied varies from ¼ to 1 per cent. of the net yield. Though works of public utility are exempt, yet industrial or commercial enterprises indulged in by the State or any local body, and earning revenue, must pay accordingly. If any trade is carried on in more than one commune the tax is divided between them. As in the case of the land and building taxes, the commune may levy local additions up to 200 per cent. of the "paper State tax" on trades.

The State scheme for the trade tax is the following :—

	Annual Profit.	Capital Employed.	Mean Tax.	Tariff: Highest and Lowest.
	Marks.	Marks.	Marks	Marks.
Class I.	50,000 and over	1,000,000 and over	—	—
,, II.	From 20,000 to 50,000	From 150,000 to 1,000,000	300	150 to 480
,, III.	,, 4,000 to 20,000	,, 30,000 to 150,000	80	32 to 192
,, IV.	,, 1,500 to 4,000	,, 3,000 to 30,000	16	4 to 36
	Below not taxed.	Below not taxed.		

The yield to the local authorities of the trade tax was in thousands of marks :—

	From Class		Number of Persons Taxed.	
In 1898	I.	10,967	5,365	
	II.	2,871	9,623	Of the yield 81·3 % came from towns.
	III.	6,264	78,114	,, ,, 18·7 % ,, country.
	IV.	6,515	405,113	
		26,617	498,215	
In 1907	I.	20,251	8,768	
	II.	3,916	12,944	Of the yield 83·3 % came from towns.
	III.	8,355	103,495	,, ,, 16·7 % ,, country.
	IV.	8,075	502,498	
		40,597	627,705	

A special subdivision of trades, which includes hotel, inn, and restaurant keepers, and retailers of brandy and spirits, are subject to a further business tax (Betriebsteuer). The principal of this tax is granted to the circles, and licences are paid for on a scale fixed in Berlin by the Director of Direct State Taxes. The licences must be paid before opening business, and annually afterwards in one sum. Additional percentages may, by permission, be levied by the communes—*e.g.*, in 1903 Berlin added 100 per cent., and

obtained thereby an additional quarter of a million marks. The four classes of the trade tax are followed, and licence holders pay, according to class, 100, 50, 25, or 15 marks. Licensees who, owing to small profits, escape the trade tax classification pay ten marks. The returns from the Betriebsteuer in 1906 were 3,194,000 marks, paid by 196,792 traders, the enormous majority of whom were graded in the fourth class, and paid fifteen marks for a licence. In 1904 the total amount which the circle authorities obtained from this source was 2,935,000 marks.[1]

The Income Tax.—The only personal direct tax levied by the local authorities in Prussia is that on income, the communal levies being by way of additions to the State income tax. The number of additional hundredths of the State tax which are to be levied in the area of any commune is determined yearly by the Municipal Council. The local authorities are bound to adopt the State scheme of graduation, nor is any new local income tax or one on particular forms of income allowed.[2] While, however, the income tax begins with incomes of £45, the municipalities are permitted, subject to approval and within limits fixed by the central authority, to tax incomes for local purposes below that sum downwards to £21; the scale being from £21 to £33 at the rate of 2 marks 40, from £33 to £45 at the rate of 4 marks tax.

All persons, whether individual or corporate, native or foreign, are liable to the tax; the State also pays the local additions for its railways, mines, or any other industrial enterprise; co-operative societies doing general business and

[1] See "Stat. Jahrbuch für den preuss. Staat for 1908," p. 242. For description of Betriebsteuer der Gast-und-Schankwirtsch, cf. H. de Grais, Handbuch, p. 213. The returns in thousands of marks from each of the five classes were 149, 75, 553, 1,888, 527 in 1906.

[2] The revised (1909) scale of income tax rates for central purposes does not affect the municipal additions. "The percentual amount fixed in the various communities remains as heretofore on the old rates fixed by the Law of 1906 (which embodied that of 1893) for purposes of municipal income tax."—Cd. 4750 of 1909, p. 44. For an interesting discussion showing the various considerations to be taken into account in fixing the rate of the municipal additions to State income tax, see Saint Agnan, "Budget of Berlin," who quotes speeches made in the debate of the Berlin Council on the subject in 1902.

share companies are included among the subjects of the tax which must be paid in respect of all income arising from capital (interest and annuities), ground values and rents (including rent value of house occupied by the owner), trade and commerce and mining. For individuals the income is that estimated (or declared over 3,000 marks) of the preceding year, for companies and trading concerns generally the average of the last three years.

As has already been pointed out, the intention of Dr. Miquel in handing over the "real" taxes (on lands, buildings, and trade) to the various local authorities was to save as far as possible the income tax revenues for central purposes, and to avoid the necessity for inordinate additions to the income tax, which had been for a considerable period such a marked feature of local taxation. Accordingly, the Communal Tax Law not only directs the local bodies to have recourse to every possible source of revenue before proceeding to levy income tax additions, but also definitely prescribes the proportions in which revenue shall be obtained from both "real" and "personal" tax sources. Paragraph 54 of the law lays down that:—

[1] "The 'real' taxes assessed by the State are to be levied for municipal purposes at least at the same percentage, and at the utmost at a percentage half as high again as the percentages levied for municipal purposes upon the Government income tax. As long as the 'real' taxes do not exceed 100 per cent. it is permissible to remit the income tax altogether, or to levy it at a percentage below the rate set down.

"When 150 per cent. of the State assessed 'real' taxes are levied, and when 150 per cent. of the State income tax is levied also, then it is permissible to levy, over and above this amount, for every per cent. of the 'real' taxes 2 per cent. of the income tax.

"(Note.—This means that up to 150 per cent. the burden is primarily to fall upon the 'real' taxes, and secondarily only upon income tax; once 150 per cent. has been reached

[1] Cd. 4750 (1909), p. 41.

the order is inverted and the income tax becomes responsible at a higher ratio, namely, double that of the 'real' taxes).

"As a rule more than 200 per cent. of the 'real' taxes may not be levied."

Paragraph 55 determines that—

"An excess over the full rate of the State income tax (*i.e.*, 100 per cent.) must be officially sanctioned by the superior authorities, viz., the Ministers of Finance and the Interior respectively, likewise any deviations from the general rules set down in paragraph 54." [1]

What was the early result of the Law of 1893 which became operative in 1895, and the first fruits of which are discernible in the budgets for 1895—96? The report issued by Dr. Miquel in April, 1896, on the carrying out of the Communal Tax Law of 1893 supplies abundant information. At the beginning of the report the Finance Minister draws attention to the increasing expenditure which the municipalities must face on account of schools, street improvements, and roads, quays, and stations rendered necessary by the rapid advance of industry and commerce.

For the 1,169 towns subject to the new law, the total expenditure had risen from 206 million marks in 1894 to 236 million marks in 1895. This average increase of 15 per cent. was even greater in the smaller towns of under 10,000 inhabitants; in no single instance had there been a diminution of expenditure.[2]

The direct taxes had risen from 170 million to 187 million; more than half of the latter sum was still furnished by the communal additions to the State income tax, which in 1894 yielded 142,560,000 marks or 69·2 per cent. of the local revenue, and in 1895 yielded 104,716,000 marks or 44·2 per cent. of the local revenue, which, allowing for increasing

[1] Councillor Cassel, speaking in the debate on the Berlin rate of addition of State income tax in 1902 in the council chamber, said, "If we come to a decision to increase the percentage addition (above 100 per cent.), the Finance Minister will not be slow to intervene and to subject our budget to close scrutiny, even to the merest details." "Budget de Berlin," p. 140.

[2] Cf. Saint Agnan, "Le Budget de Berlin," pp. 123 *sq.*

expenditure, would under the old conditions have been something over 150 millions.

The average number of local additional hundredths to the State income tax was in 1894 about 158; in 1895 it was reduced to 114.

A corresponding increase occurred in the return of the "real" taxes handed over to the local authorities, and while in 1894 the land, building, and trade taxes had returned 27,776,000 marks to the State Treasury, they in 1895 returned 82,346,000 to the local bodies, the percentage of total revenue rising from 13·5 per cent. to 34·8 per cent. This increase was largely due to the improvement in collection made after the transfer, to a better assessment and a closer local interest therein, and to the inclusion of industrial establishments among those subject to the trade tax.

The increase is also notable in the yield from indirect taxes. In 1894 they realised 11,028,000 marks or 5·35 per cent. of the total revenue; in 1895 they rose to 18,986,000 marks or 8 per cent. of the total revenue; and, as might be expected, this increase was more marked still in the larger towns (Dusseldorf district, 64 towns, average 7·1 to 11·8 per cent.; Hanover district of ten towns, 8·3 to 15·6 per cent.).

The general effect on town revenues may be illustrated by those of three typical districts, whose returns are given in Table 3 in the Appendix.

In the rural communes similar results followed.

In 10,357 communes there was a reduction of from 1 to 50 per cent. of the local addition to State income tax.

In 2,454 communes there was a reduction of from 50 per cent. to 100 per cent. of the local addition to State income tax.

In 781 communes there was a reduction of more than 100 per cent. of the local addition to State income tax.

On the other hand, 9,107 communes had increased their number of additional hundredths to the State income tax.

"If," writes Miquel in his report, "one-third only of the communes out of a round total of 35,000 have diminished the burden of the income tax percentage, that somewhat unsatisfactory result is attributable in the first place to the

increase of communal expenses. But also, in a great number of communes, it is connected with the fact that their resources proceed especially from additions to the land tax . . . Or again, often to this fact, that those communes have converted their demands for personal labour into pecuniary charges . . . But in spite of the increasing expenses which the municipal assemblies must bear the law has already produced very satisfactory results, and it is certain that the movement will only grow in strength when, thanks to time, the inspiring motive of the law shall have been able to penetrate those assemblies and replace their ancient financial habits."[1]

The increasing expenditure referred to by Dr. Miquel has not only been experienced in the smaller circumscriptions, but also by the higher authorities. In 1888 the State subsidies had covered 67 per cent. of the total expenditure of the provincial authorities, then fifty millions of marks. By 1901 the heavier expenses of the road service, and also of the institutional public assistance to the mentally and physically afflicted (made compulsory on the provinces by a law of 1891, the earlier law of twenty years previously having merely recommended the authorities to extend their care in this direction), had raised the outgoings of the higher authorities to seventy-seven millions, while the State subsidies had remained stationary during the previous quarter of a century, and covered now but 46 per cent. of the increased total.[2]

The additional burdens for roads and poor relief were most acutely felt in the poorer provinces. The grant of nineteen millions made in 1875 had been proportioned to the needs of the road service at that period, but enormous extensions had in the interval been found necessary, and had been laid on the provincial tax revenues. The added charges made in 1902 for "foundlings and children" brought the discontent to a head, and the most recent General Grant Law (Dotation Gesetz) was promptly carried and put into operation.

It provided an additional sum of ten million marks, whereof

[1] "Denkschrift," pp. 31—32. Cf. Saint Agnan, "Budget de Berlin," pp. 131 *sq.*

[2] See Table (4), Prussia.

three millions were to be specially devoted to extensions and maintenance of roads, or for debts incurred for these purposes in the past by all three grades of authorities, the remaining seven millions to be allocated to the relief of poor law burdens, whether borne by provinces, circles, or communes. The provincial authorities were empowered first to deduct one-third of their allotted sum for their own Poor Law institutions, and then to distribute the remaining two-thirds among the minor authorities in their areas who were in need of financial assistance ("zur Unterstützung leistungsschwacher Kreise und Gemeinden"), and the sums allocated were to be spent entirely and exclusively to lighten their Poor Law and road service burdens ("und zwar lediglich für Zwecke des Armen- und Wegewesens"), including the building and upkeep of bridges.[1]

The subdivision by the provincial committee to the circles and communes is to be made in proportion to their need. Special regulations governing the allocations have been drawn up by the Minister of the Interior, the Minister of Finance, and the Minister of Public Works. The provincial distribution must obtain the special sanction of these representatives of the central Government, and be renewed every three years at least.

It will be remembered that the older grants were to be distributed in proportion to area and population alone.[2] Three elements are taken into consideration in determining the "necessity" of the minor authorities under the last law These three determining factors are (1) the amount paid per head of the civil population in State income tax; (2) the percentage relation of the first element to the per head payments of provincial, circle, and communal taxes (including payments in services but excluding the school taxes); (3) the total of the civil population. The bases taken for the initial allocations were the census returns of 1900 and the tax payments of the financial year 1899—1900. In the preliminary drafting of the

[1] Kaufmann, p. 430.

[2] In Hohenzollern and Lauenburg the old basis of allocation (½ acc. to area, and ½ acc. to population) still persists.

Bill provision was made for a ten-yearly revision of the total paid out of central funds (ten million marks), but the Act came into operation without any such special provision being included.

The actual division made of the foregoing ten millions was:—

Provinces.	Towards relief of Provincial Poor Expenditure, and for division for similar purpose among Circles and Communes.	For relief of Road Service Expenditure.
	Marks.	Marks.
East Prussia	738,573	493,893
West Prussia	715,148	475,132
Brandenburg	475,494	333,290
Pomerania	490,975	330,111
Posen	667,046	441,810
Silesia	665,749	468,462
Saxony	481,956	69,693
Schleswig-Holstein	464,320	67,143
Hanover	498,999	72,157
Westphalia	513,388	74,237
Cassel (Government District)	326,261	47,179
Wiesbaden „ „	220,017	31,816
Rhine Province	621,725	89,903
Lauenburg (old basis)	17,458	2,494
Hohenzollern „	18,757	2,680
Berlin (Town Circle)	84,134	
Totals	7,000,000	3,000,000

CHAPTER XVII.

Central Aid to Primary Education in Prussia.

The Principia Regulativa of 1736, issued by Frederick William I., made it incumbent on each commune to provide for building and maintaining a common school, and provided further for the sustenance and pay of the teacher, mainly from Church funds, and, for the rest, from the produce of an allotment set aside and worked for him by the commune, and fees paid by the parents of the scholars in money or in kind. Materials for the building of the schools and for their repair might be taken by the communal authorities from the Royal forests and estates. This General Code marks not only the first act of real administrative intervention in the general direction of popular instruction, but it furnishes the main principles on which the organisation of the schools of the different provinces have since been modelled, in different forms, according to local customs and convenience. It laid down the terms of connection between Church and school; all schools were to be under ecclesiastical control, and the teachers were to be examined by the consistory. Local inspection was confided to the parish clergy. All children from five to fourteen years of age were to attend, subject to regulations which might be varied according to local conditions. Fees were to be paid, poor children alone being admitted free, and an annual collection was to be made in church for the provision of books for them.

The general provision of a school as a compulsory obligation in each commune was again laid down in the General Code for the whole of the kingdom in 1794, and the charges for the upkeep of the schools were laid on the heads of families ("house fathers") of each school district. The principle of compulsory attendance was insisted on anew, a

system of inspection by the central authority set up, and seminaries for the training of teachers established by the State.

Within the next fifty years the State's control and authority were rapidly extended. In 1807 it was enacted that no teacher should be recognised unless he was certificated, the normal schools for the training of teachers were increased in numbers and improved in equipment and organisation, and a Bureau of Education was formed in connection with the Ministry of the Interior. Ten years later a separate Ministry for ecclesiastical affairs and education was formed; in 1825, for the supervision and control of national education and the training establishments, school boards were set up in the provinces; in 1850 the Constitution placed all educational institutions in the charge of the Central Ministry, and declared all teachers State functionaries.

The central authority guaranteed to the teachers a minimum income, proportional to the locality. For the erection of buildings and their equipment the householders of the communes were made responsible, the State only intervening where local resources were unequal to the task. In principle, education was to be obligatory and free; the latter provision was at this period, however, only fulfilled in rare instances.

As a consequence of these administrative changes, we find that for elementary education there are, in Prussia, the following authorities. First, the Ministry for Ecclesiastical, Educational, and Medical Affairs, with secretaries and advisory council of experts. Second, in each province is a school board, which is formed of a small number of experts with the Chief President as chairman; this board examines and issues certificates to teachers and superintends the training colleges. Third, in each Government district there is a school and church section of the Government Board, which controls the elementary schools and inspects them, for building and accommodation and sanitary matters by the Landrath (the representative of the central interests in the circle), and for educational affairs by the circle inspectors,

who are usually resident clergymen of the leading religious denominations. Lastly, the unit of administration is the school commune, which may, or may not, be identical with the local government commune.[1] It is formed, in the latter alternative, of a combination of communes, a section of a commune, or a body of householders, who desire a particular denominational school. In any case, the school is maintained in large part by special rates levied on the householders who avail themselves of the particular school or set of schools. "In the towns, there is a school deputation, composed of town councillors and other persons interested in education—all appointed by the town council; usually this is under the presidency of a member of the executive board of the council (the Stadtschulrath) who is . . . the chief administrative official."[2] In rural communes there is a school committee of the local government communal council, or a committee selected by the inhabitants of the school commune. The school deputations and school committees, where they are elected by the local councils, cannot impose a rate or raise a loan; "all they can do is to submit estimates to the council, which grants as much as it finds possible."[2]

This gradation of authorities enables the central authority to mould at pleasure the whole educational system. The commune reports to the circle, the circle to the Government district, the district to the province, the province to the central Government, which, back again through the various stages, can make its influence felt in the remotest parts of the entire monarchy. These political arrangements make it

[1] Other examples of the survival of these traditional associations for special purposes are those for Poor Law purposes, agricultural improvements, and roads. In each case they are public bodies recognised by the law and exercising all the rights of the normally constituted local authorities of similar grade. "The School Unions and Poor Law Unions expend three times as much on their particular objects as do the rural communes and Gutsbezirke for kindred purposes": G. Cavaignac, "La Féodalité en Prusse," quoted by Dubois, p. 28.

[2] Ashley, pp. 169—170. But if a commune has to pay more than its share for education in consequence of factories, railways, mines, etc., situated in another neighbouring commune, it can claim a subsidy from the latter (subject to the approval of the circle committee).

easy for the Government to carry out any national system it may choose to initiate. The inspectors are all appointed by the central authority, whether they are paid circle inspectors or local ministers to whom only expenses are allowed. The circle inspector visits each school at least once every year.

The school taxes are levied in the same way as the ordinary communal taxes, that is, on the assessment made by the State for the existing income tax and the surrendered land, building, and trade taxes.[1] The towns, as a rule, have taken over the management of the school taxes, but the country districts in many cases still leave school affairs to the school associations. By whomsoever levied, the school tax is compulsory; every inhabitant must pay towards some school, though he cannot be compelled to pay for the school of another denomination. The Government authorities and the local bodies fix the amount needed; in case of dispute, the circle administration, where central influence predominates, decides.

The expenditure is thus, in so far as it is not covered by endowments or fees (which in recent years have mostly been charged only for children coming from another commune, and other exceptional cases), met by the State and the communes, the two together making up the teacher's salary to a minimum amount, the communes being responsible for erection and maintenance of school buildings, for which, after strict inquiry and in proportion to need, the State may make grants or loans.[2] Assistance, even before 1850, was given to the poorer communes, and the contributions of the State are even now voluntary, and the petitions of the communes are

[1] Another tax levied in similar fashion, *i.e.*, as additions to the direct State taxes, is the Church tax, which varies with local needs, and in some of the towns is as high as 50 to 60 per cent. of the State income tax. Every inhabitant is liable to pay for his own Church, and the liability can only be avoided by formal withdrawal from the Church. Cf. Cd. 4032 (1908), also "Kirchen-steuern" in H. de Grais, p. 408.

[2] The new Prussian Law of July 28th, 1906, which came into operation in 1908, has not modified this responsibility of the communes. Sections 7—23 lay down that "Die Schullast ist Gemeindelast. Soweit die Gemeinden nicht imstande sind die Schullasten allein aufzubringen, tritt der Staat ergänzend ein."

examined strictly in relation to merit and need by the Ministry of Education in every case. The amount varies with the number of children for whom the commune must provide and the amount locally raised for that purpose.

These voluntary State grants, which, in 1871, had for primary schools amounted to about three million marks, gradually rose to twelve millions in the early eighties. The efficiency of the instruction had meanwhile been raised; legislation had been passed regulating the air space per child, number of class-rooms, and number of teachers. As a result, the demands on the local exchequers rose in the same period from forty-two millions to ninety-one millions. Fees remained stationary at about ten to eleven millions. To meet the increased expenditure, the State, in 1885, undertook to pay 600 marks towards each teacher's pension, which subsidy in the aggregate amounted to three-and-a-half million marks. The Act of 1888 (modified in 1889 and 1897) fixed the minimum salary at 900 marks for male and 700 marks for female teachers; of this, the State pays 500 marks for head-master, 300 marks for head-mistress, and 150 marks in other cases.[1] It further contributed 337 marks and 187 marks respectively per teacher per year towards the school funds for augmenting teachers' salaries, which increase with length of service.

Later legislation has limited the awards of these grants to not more than twenty-five teachers in any one commune, in accordance with the view that the larger towns can afford better to stand increased educational costs.[2] In mitigation, however, certain fixed grants are still paid as compensation to towns which under the later conditions have suffered pecuniary losses.

[1] The State contribution has by the new Law of 1908 been raised in each case by 100 marks ; see Kommunales Jahrbuch, Erster Jahrgang, 1908, p. 226. See also Schonberg, Handbuch, Vol. III. (1), p. 514, and H. de Grais, Handbuch, pp. 432—443, for finance of primary schools. For expenditure in Prussia on education in years 1871, 1878, 1886, see Cohn, "Science of Finance," p. 278.

[2] The larger towns in France have also to bear a heavier expenditure for teachers' salaries; towns of over 150,000 must maintain their own teachers.

As the result of all these changes the proportions borne by the State and communes have been very substantially affected.[1]

Thus, from 1886 to 1891, the State contribution, in addition to central departmental expenses and those connected with the inspectorate, rose from 12·1 per cent. to 31·8 per cent. of the total expenditure on primary schools. As between the urban and rural districts, the figures of State contributions were :—

Urban, in 1886, 4·8 per cent. of total cost; in 1891, 18·65 per cent.
Rural, „ 17·5 „ „ ; „ 42·2 „

Attempts were made by the central authority to check this rapidly-mounting expense chargeable on central revenues by pooling the amounts (according to Government districts) from central and local sources which were devoted to pensions, and also to automatic length-of-service increments of salaries, which in the aggregate were assuming considerable proportions. From the benefit of this pooling the towns which employed large numbers of teachers were to be in large measure shut out, as the Government would only sanction outside assistance to at most twenty-five teachers in a commune at any given time. It was hoped that the towns could better afford to find their own resources, and the sums thus saved might be used in increased help to the smaller centres. Even with these restrictions, the cost to the State steadily grew until by 1899 it was ten millions in advance of what it had been only two years previously.

Over and above these contributions towards the *personnel* of the schools—for which in compensation the State insists on the proved efficiency of the teachers, uncertificated teachers never by any chance or on any pretext being recognised—the central authority also extends some assistance to the more needy school districts for school buildings and maintenance.[2]

[1] See Table VI. (Prussia), in Appendix.

[2] "Ausser diesen gesetzlich geregelten Beiträgen des Staates zu den Unterhaltungskosten der Volksschulen und verschiedenen Leistungen desselben auf Grund besonderer rechtlicher Verpflichtungen gewährt

According to the Prussian State Budget of 1902–3, the following payments were made to the local authorities, and for the accompanying branches of elementary school administration :—

		Marks.
(1)	For aid towards teachers' salaries . . .	27,860,000
(2)	,, ,, special teachers' salaries .	475,022
(3)	,, ,, increments in teachers' salaries	22,420,000
(4)	,, ,, pensions for teachers . .	5,480,000
(5)	,, ,, widows and orphans of teachers	1,300,000
(6)	,, ,, teachers in need of special assistance	635,089
(7)	,, payments of conferences of education authorities . . .	300,000
(8)	,, ,, ,, unemployed teachers .	1,117,019
(9)	,, discretional aid	303,500
(10)	,, assistance to overburdened school districts' school building . . .	12,119,818
(11)	,, ,, towards erection of new schools	686,276
(12)	,, ,, of certain specially difficult areas	630,000
(13)	,, ,, towards school building . .	1,000,000
(14)	,, ,, ,, ,, houses (used occasionally for ecclesiastical purposes) .	500,000
(15)	,, extraordinary aid towards school erections	3,000,000
	Total State contributions towards elementary education	77,826,724[1]

Of the above items Nos. 1 to 5 and No. 14 rest on legal fixed regulations governing the amounts, while the remaining numbers represent grants which are only granted by the central authority at their discretion and on proved need.[2]

By the Law of July 28th, 1906 (§§ 17—23), these aids, conditional on financial necessities, are limited to the smaller towns and villages, places with more than twenty-five schools being ruled out from these subventions altogether, the general

der Staat—neben mehreren kleineren Posten zür Förderung des Volksschulwesens—widerrufliche Beihilfen an unvermögende Gemeinden bzw. Schulverbände teils zu den laufenden Schulunterhaltungskosten, teils zur Errichtung neuer Schulstellen und zu Schulbauten": Kaufmann, II., p. 434.

[1] If to this total be added the forty-eight millions granted to the provincial and circle authorities for roads, Poor Law, etc., it will be seen that the total of the grants made by the central authority to the local governments in Prussia is about 126 millions of marks.

[2] "Die Posten 10 bis 13 und 15 die widerruflichen Beihilfen, die Subventionierung nach Massgabe des Unvermögens der Schulgemeinden enthalten": Kaufmann, p. 435.

opinion being that although in the more densely populated areas the school expenditure is higher, yet the resources of those communal authorities are more extensive and may be made more varied.

The allocation of all these variable subventions is made by the Ministers of Education, Finance, and of the Interior in the first instance; in the provinces for the country communes by the Chief President of the province with the concurrence of the Provincial Council (Provincial-Rath); subventions to the other communes and school unions are allocated by the circle committee after reports by, and on the advice of, the circle inspectors.

THE POLICE IN PRUSSIA.

In Prussia, as has been already noted, the Home Office is, as in England, the central authority for all matters of police. There is the usual Continental clean-cut definiteness of "general police" administration, entrusted by the central authority only to such local representatives as are immediately under central administrative control, and to whom are primarily confided the care of central interests. The "local police" organisations are maintained by the resources of the communes, and entrusted to the burgomaster or the headman,[1] but in towns over 10,000 the State may take over the administration entirely, placing it in the care of a police president or director, in which case it used to defray the main costs, the town merely providing the necessary buildings.[2] This Act of 1850 was passed to strengthen central control, and was in intention chiefly a political, not a financial measure. It was extended after 1866 to several towns in the newly-acquired territory; but during the past thirty years the State has not often exercised this right. As a consequence, many large industrial towns of recent growth have a local police, whilst a good many smaller towns have State administration.

[1] See H. de Grais, pp. 77 and 317; F. Laufer, "Unser Polizeiwesen," pp. 16 *sq.*

[2] Prior to 1892.

"Opinion in Germany is divided on the question whether ordinary police administration should be made over to the municipal authorities or separately maintained by the State.[1] Many active friends of the municipal *régime* prefer that the police system should remain on a quasi-military footing, under control of the political power. In practice it seems an easy matter for the municipal and police authorities to keep a good understanding and work together harmoniously."

The towns having a State police administration have since 1892 been compelled to contribute towards the cost; payments from that year till 1908 had to be made ranging from 0·70 marks (8½*d.*) to 2·50 marks (2*s.* 6*d.*) per head of population per annum, according to population, the larger towns paying the heavier rate.[2] These contributions did not, however, seem to cover the whole cost; a premium was thus placed on the transfer to State management. In 1908 a modifying enactment compelled the towns having State administration of the police to participate in the expense to the extent of two-fifths of the total cost.[3]

The municipal police are said to be more costly, and they are said to be, as a rule, not so efficient. Comparing two towns in the Rhine province:—

				Marks.
In 1899 Elberfeld,	population 150,000,	had local police	costing	422,000,
„ Aachen,	„ 130,000,	„ State „	„	205,000,

to which it contributed at the rate of 1·30 marks per head.

In Aachen the police charge was about 3 per cent. of total town expenditure.

In Elberfeld the police charge was about 4 per cent. of total town expenditure.

The State bore the difference, but it may be less than it

[1] Shaw, "Municipal Government in Continental Europe," p. 321.

[2] Danzig (1907) for 151,470 inhabitants (civil population) according to the definite results of the census of December 1st, 1905, per head paid 1·50 marks, or a total contribution (paid quarterly) of 227,205 marks to the cost of the Royal Police Administration as borne by the Royal Police funds. See "Haushalts Etat" for 1907.

[3] See "Staats-Anzeiger," No. 144 of 1909, for Polizeikostengesetz of June 3rd, 1908. ("Deutscher Reichsanzeiger und Königlich Preussischer Staats-anzeiger.")

appears, owing to possible greater economy in State administration.

The following table shows the police charges borne by the State in Prussia :—

MINISTRY OF INTERIOR.

	1897.	1900.	1907.
Police administration in Berlin .	13,181,416	16,023,802	23,840,000
Local police in the provinces .	8,516,240	10,122,860	17,300,000
Gendarmerie	10,753,734	11,824,832	16,400,000
Gaols and houses of correction[1].	8,831,887	12,413,156	14,840,000
Other outgoings in interest of police	2,159,148	2,826,690	

PUBLIC ASSISTANCE IN PRUSSIA.

The duty of the communes to support their own poor, which had been repeatedly expressed in various laws and decrees of the eighteenth century, especially by the Landrecht of 1794, was emphasised by the existence of a legal claim to relief. By a Law of 1842 this "settlement" right was extended from the old inhabitants of any commune to those who could prove a three years' residence. The qualifying period was further reduced in 1894 to one year, and applied to all persons over the age of sixteen.

Nowadays the support of the poor is practically recognised as a State burden, which must of necessity be decentralised in administration and cost.[2] The process of development falls into three fairly well defined periods. At first all forms of public assistance had to be provided solely by the communes; towards the middle of the nineteenth century certain branches which lent themselves to institutional treatment were confided to the care of the provinces, the minor

[1] By the Law of March 11th, 1850, the prisons are borne as a State charge under entirely central control; local lock-ups are provided and maintained by the communes. See H. de Grais, p. 331.

[2] For poor relief see Reitzenstein "Komm. Fin." in Schonberg's Handbuch, III. (2), pp. 428 *sq.*, and "Armenwesen und Armenfürsorge," by A. Weber (1907); H. de Grais, "Handbuch," pp. 379 *sq.*

authorities providing their quota of the cost. In more recent times certain social necessities, as for providing for old age, sickness, and invalidity, have been financed in part by contributions from the Imperial Exchequer.

The local authorities in charge of Poor Law Relief are the Provincial Unions (Landarmenverbände), usually coincident in territory and administration with the thirty-six provinces, and the local unions (Ortsarmenverbände), which consist, as a rule, of one commune or manorial estate, but may in certain cases, by permission, be formed by a grouping of two or more.[1] The Provincial Unions consist, as a rule, of a number of local unions, but in exceptional circumstances the Provincial and local unions may be identical. The whole State is divided up into Provincial Unions, whose affairs are administered by a Provincial Board. In the communes, the Council may itself be the Poor Law authority, or it may appoint a special Committee (Armendeputation) from the town's officials, the representatives, or from other "suitable inhabitants." Those persons who are thus chosen must serve for the legal period, and are unpaid.

The whole domain of public assistance is divided into two main portions; first, ordinary relief, which may be outdoor or indoor in poor-house, or in houses for the sick, for orphans and for invalids, and special and extraordinary institutional relief. For the former the communes are primarily responsible; for the latter the Provincial Boards must provide.

For those with the legal claim to relief the communes must provide during the period of sickness or destitution, and, in cases of necessity, for burial also. In the country communes there is often little indoor provision, owing to their very limited resources; in the towns, especially the

[1] "Die Verpflichtung zur Armenpflege ruht demgemäss in erster Linie auf den Ortsarmenverbänden. Sie fallen in der Regel mit den Gemeinden und selbstständigen Gutsbezirken zusammen, doch können auch deren mehrere zu Gesammtverbänden, in den östlichen Provinzen in der Form der Zweckverbände vereinigt werden. . . . . Wo ein Ortsarmenverband zur Leistung der Unterstützung nicht verpflichtet oder nicht vermögend ist, tritt der Landarmenverband ein" (H. de Grais, p. 381). The number of local unions comprise about 1,238 towns, 31,408 country communes, 11,346 manors, and 3,376 mixed district in all 47,368.

great ones, there is usually ample provision made, and the general system of indoor and outdoor treatment has been repeatedly described and spoken of in the highest terms of commendation.[1]

The Provincial Unions are responsible for those persons who have no communal "settlement" and for strangers, and by the Law of 1891, in Prussia, the charge for assistance institutions for the mentally deficient, imbeciles, epileptics, deaf mutes, and the blind is laid on the provinces. The general reform of the Poor Law twenty years previously had authorised and recommended the regional authorities to undertake these charges. The later law declared it a compulsory duty to provide for all such cases by the erection of their own institutions, or by arrangement in those of a neighbouring authority, or in those of a private character.

The very considerable expenditure occasioned by these later developments does not rest entirely on the provinces, which are alone responsible only for the administrative cost of the institutions and for the burial of patients. For other costs (clothing and maintenance, medical attendance and outlay on curative treatment) the local union, so far as the inmate has a settlement claim, pays. However, of this sum the local union has actually only one-third to bear, inasmuch as the circle to which the local union belongs has to guarantee at least two-thirds of the cost. So far as individual local unions or circles, by the erection and support of their own institutions for the mentally afflicted, idiots, and such cases, are increasingly providing, they are not bound to share in the contributions to the provincial establishments, or to share in their upkeep. The Provincial Unions are authorised, but not bound, to provide for indigent incurables. The provision for such cases of necessity still remains a duty of the smaller relief bodies.

The costs of such parts of institutional relief as fall on the circles are proportioned to the amounts paid by them in

[1] For description of public assistance and poor relief institutions in Prussia, see Ashley, "Local and Central Government," Chap. III., sec. 8.

direct State taxes. A comparatively recent law maintains this general rule of distribution, but gives permission to the Provincial Unions to arrange, with central permission, contributions on any other basis which is more in keeping with local conditions.[1]

Appeal in matters of relief or of adjustments of charges go to the Circle Committee, in towns of over 10,000 inhabitants to the Government District Committee, as administrative courts of first instance, with right of appeal to the Bundesamt für Heimatwesen in Berlin, "which was established to settle disputes on these points between the different States of the Empire; but was recognised by Prussia as a final court of appeal for cases arising within that kingdom."[2] This court consists of a president and at least four members, who, on the proposal of the Bundesrat, are named by the Kaiser.

The funds of the local unions are in the main derived from a local levy, on the basis of the transferred and direct State taxes, which in many of the smaller areas realises but a small sum, and gifts and legacies, and the proceeds of some fines. The Provincial Unions depend for the special departments of assistance entrusted to their care on, for the greater part, State subsidies and the compulsory contributions of the minor authorities in their areas.

Public hospitals, which are either State, provincial, circle, or communal, are provided, maintained, and equipped at the expense of the particular authority by whom they have been erected. Private hospitals of all kinds must obtain permission and approval. Costs of transport to labour colonies and houses of detention are in all cases borne by the central Treasury.

The hospitals that have been and are being erected in different districts by the Imperial Insurance Institutes are "an inestimable God-send to the workpeople," especially in the early stages of prevalent diseases, notably consumption.[3]

[1] Reitzenstein, p. 441 n.
[2] Ashley, p. 186; see also H. de Grais, p. 384.
[3] Report of Gainsborough Commission, 1906.

The effect of the working of the Imperial insurance schemes for invalidity, sickness, and old age, on the amount spent in poor relief is difficult to ascertain; but it would appear that local burdens have not been very materially lessened, possibly owing to growing compulsory charges towards institutional relief.[1]

In 1885 the number of persons supported out of public funds in Prussia was 953,292, at a total cost of fifty-three million marks, of which about one-tenth was at the charge of the Provincial authorities (Landesarmenverbande). In 1900 the Prussian Provincial authorities' expenditure had considerably increased, owing to the compulsory institutional outlay under the Act of 1891, and was thus apportioned: Provincial poor relief institutions and reformatories, 8,688,571 marks; idiots and epileptics, 318,810 marks; lunatics, 4,299,413 marks; combined outlay on last two classes, 1,633,220 marks; deaf mutes, 2,050,178 marks; blind, 560,087 marks; children of tender age, 667,726; midwifery training, 342,599 marks; other benevolent purposes, 842,245 marks; altogether, 19,402,849 marks, out of a total provincial expenditure of 66,138,162 marks.[2]

[1] A Berlin official (Geh. Ober. Regier. Rath.) to whom I applied for information on this point says in a letter to me, August 23rd, 1909: "The amounts spent locally on poor relief have not fallen very much since the Accident and Sickness and Invalidity Laws have been in operation."

[2] See H. de Grais, p. 380 n. Cf. Table VIII. (Prussia), in Appendix. In connection with the Imperial schemes of pensions for old age, sickness and invalidity, it may be mentioned that in addition to its initial addition of 50 marks (£2 10s.) to each annuity as it falls due, the State also pays the contributions of workmen while serving in the army or navy, and defrays the expenses of administration, including the postal fees for sending premiums through the Imperial Post Office. Cf. Report of the Gainsborough Commission.

CHAPTER XVIII.

Resources of Local Authorities.

The foregoing survey will have amply illustrated the essential differences between the English system of obtaining local revenues and those of most European nations, of which the three specially considered may be taken as typical.

While the English local authorities of every grade depend almost entirely on the rates,[1] which are in effect a single tax levied on a particular class, namely, "occupiers," and assessed by one standard—"annual rental value," on the other hand, among Continental peoples we find multiform and heterogeneous tax systems which are almost bewildering in their variety, composed of taxes which vary so considerably that a tax of the same name is seldom levied alike in different countries, comprising additions to State contributions and special local imposts, taxes on income, fixed property and consumption—curious compounds of old and new methods of obtaining necessary supplies.

Whereas, too, in England the counties, county boroughs, rural and urban councils, and Poor Law authorities all practically get their revenues by the same method, the Continental hierarchical system has provided for the regional authorities a finance organisation different from that of the minor bodies, and adjusted to the particular set of functions they are intended to exercise.

Foreign sources of communal revenues, in spite of their complexity, may be roughly divided into three categories: (*a*) imposts which are identical with, or analogous to, the

[1] "Almost all the money raised by English local taxation at present is raised either by means of the poor-rate or by means of other rates which, though they have names of their own, are in reality nothing but additions to the poor-rate": Cannan, "History of Local Rates," p. 2. See also Wright and Hobhouse, "Local Taxation," p. 18.

State taxes, direct and indirect, real and personal, levied in large part for the performance in the localities of State-imposed duties and services of general interest and utility, and in accordance with an attempted approach to distributive justice; (*b*) special taxes of the nature of dues or fees, individual payments for particular advantages afforded by the community from which particular persons reap the benefit, as, for example, market tolls, slaughter-house dues, weights and measures charges, and municipal gas and water supply charges; and (*c*) contributions compulsorily obtained from classes of persons who are in possession of fixed property, and who derive increased benefit and profit in an especial manner from the public outlay on certain services which are of some general, but preponderantly local, interest, as, to instance a common example, the public highways and streets and improvement schemes.[1]

Thus, through all the schemes of local taxation which we have reviewed, the general principle of payment according to general ability is applied in combination with the opposed principle of payment in proportion to direct benefit received, or "cost of the service or commodity supplied." The main lines of the division of national taxation are repeated in the local areas, the elements of the various combinations allowed to the local authorities varying necessarily in accordance with their more limited interests, their greater activity in functions of an economic order, and the greater possibility of determining in the lower grades which departments of expenditure bestow direct and fairly measurable benefit.

Thus, in France we find the land taxes and patentes regarded as levied in accordance with supposed benefits received, and the personnelle-mobilière as constituting an approximation to a contribution in proportion to ability.[2]

[1] For French division of local receipts into impôts or taxes proper, and retributions, or payments for services, see Boucard and Jézé, pp. 407—411.

[2] Cf. Leroy-Beaulieu, "Traité de la Science des Finances," p. 463; see also Dubois, "Essai sur les Fin. Comm.," p. 197: "En France . . . de fait, l'impôt foncier et les patentes, n'est ce pas là en matière

Taxes on consumption, which under the form of octroi dues also contribute one-third of the total local receipts (in some towns considerably more), are also regarded as a useful, though probably less equitable, contribution according to ability, and were added later to meet the necessities of the modern requirements of the larger towns.[1] Prestations, too, furnish to the agricultural communes large shares of their revenues; for all France they are estimated at sixty millions of francs, levied in proportion to benefit, and corresponding to the less frequent, though fairly common, special payments made for improvements, street cleaning and watering, and paving and road construction in the towns.[2] In the upkeep of the roads and streets the neighbouring proprietors have a special interest which up to a certain point is measurable and certain, and the equity of their being compelled to bear moderate additional burdens on this account seems to be generally recognised. The prestations have long been a permanent impost on the country householders, rendered almost everywhere, however, less vexatious by the permission to pay in team supply, or labour, or money, according to convenience. For the towns, also, a new source of revenue according to benefit has, by a Law of 1897, been provided by the permission granted to the municipal councils to levy additional "licence" rates for the sale of alcoholic beverages, rates which are over and above the "patentes"; according to his rank in the assessment roll of the "patentes" every licence holder may be further called upon to provide for local expenditure.

In Belgium there is a similar manifestation of a desire to distribute the total local charges in agreement with the same

communale une sorte de taxation d'après l'intérêt? La terre, le bâtiment, la maison de commerce, la fabrique, n'est-ce pas là ce qui profite le plus de l'ensemble des services communaux? C'est la matière imposable par excellence, parce-qu'elle paie proportionnellement aux avantages qu'elle retire. L'impôt mobilier, au contraire, represente d'une manière plus ou moins approchée la taxation selon les facultés contributives; c'est là aussi, avec moins d'équité encore, le cas des taxes de consommation."

[1] *Ibid.*, p. 833.

See Boucard and Jèzé, pp. 413 *sq.*, and Dubois, p. 198.

principles of faculty and interest. The land taxes, although lighter than in France both in principal and average additional centimes, yet yield considerable sums towards both central and local expenditure; so do the patentes, which, as in France, are graded in proportion to estimated profits from trade which is facilitated by public expenditure, and proportional to the heavier expenses of the thickly populated urban areas. As a whole the local taxes of Belgium are light, inasmuch as the local budgets derive considerable subventions from the State customs in lieu of the local octrois abolished in 1860, increased by further grants per head of population in 1889. Of the special communal taxes the personal contributions (cotisations personnelles) are admittedly a rough income tax, levied on uncertain bases and varying from commune to commune: sometimes on presumed fortune, sometimes on rental value of premises occupied, sometimes on general estimate of consumption; but always as a roundabout method of taxation according to ability.[1] In many of the communes this source of revenue has, however, been suppressed, as was desired by the legislature, as soon as the subventions from the State customs allowed it. The numerous other special local taxes, in which Belgium has more than any other Continental nation indulged, are also assessed on the general idea of supplementing or correcting the State taxes.

On the Continent the most notable attempt to place local taxation on a scientific and logical basis of correlated contributions, in accordance with the canons of faculty or ability and interest, is furnished by the Prussian Law of 1893.[2] Although the administration of the law is intended to be elastic, yet, broadly, local revenues must be raised by, first, payments in the form of dues or fees for services rendered

[1] "La cotisation ou capitation personnelle est basée sur la consommation ou sur le revenu présumé des contribuables ou sur les deux bases combinées:" Montigny, "Principes de Finance et de Comptabilité Communales."

[2] See Row Fogo, *Economic Journal*, XI. (1901), pp. 354 *sq.*; Saint Agnan, "Budget de Berlin," (1904), pp. 6 *sq.*; Dubois, "Essai," pp. 169 *sq.*; H. de Grais, pp. 197 *sq.*

to particular persons, which must be regarded as the first and main support of municipal expenditure; and, secondly, general taxes, consisting of (*a*) taxes on certain forms of wealth for meeting that portion of local expenditure which confers special benefit on certain persons or classes, and which is not recovered by "dues"; and (*b*) taxes on general wealth, as expressed in terms of annual income, for covering the expenditure of the local authority on services of national concern and general utility, which cannot be said to bestow more benefit on one person than on another.

The principal canon as laid down in the law is that taxation should not be resorted to till all other methods of procuring revenue shall have been tried and found insufficient. A municipal authority undertaking any form of municipal service must arrange its scale of charges so that all expenses may be covered, including interest and sinking fund. Moreover, the central Government encourages and recommends the local body, wherever possible, to make a profit, which must be applied in general relief of taxation, and not to any particular purpose. So that inordinate profits may not operate as disproportionate indirect taxation of the necessaries of life, the authorities are expressly prohibited from insuring anything beyond a small return on such institutions as public slaughter-houses, etc.

If, as is usual, taxation is necessary, the authority is instructed to levy the taxes on (*a*) land and building, and (*b*) trade, on the principle of direct benefit, and (*c*) on income, as the measure of general ability, only if the proceeds of indirect taxation—as a less obvious and less equitable measure of general ability—are insufficient; the resort to indirect taxation is thus encouraged as the primary method of obtaining tax revenue.

Thus the scheme is to be applied on the following basic principles, and in order as arranged: (1) Exchange; (2) indirectly estimated ability; (3) direct benefit; and only in the last resort and within regulated percentages, (4) general ability as indicated by annual income. The local income tax must, as a rule, with very few exceptions permitted, be levied on

the basis of the national tax; independent local income taxes are prohibited.

Not only is the revenue strictly regulated, but the expenditure also, the whole conception and general provisions of the Act being based on the principle that all kinds of expense incurred for special benefit shall be met by special payment in proportion to the benefit bestowed, all other expenses to be covered by ability to pay. Expenditure on objects which are recognised as being for the mutual advantage of the whole community shall be defrayed accordingly by local additions to the State income tax; such objects embrace public safety and public health, primary education and poor relief, and the general administration expenses of the local management of such national services.[1] Expenditure which confers exceptional benefits, entirely or for the greater part, on the holders of real property or those engaged in trade, must be raised by taxes levied in respect of the possession of such property or the exercise of such trade; for example, irrigation, drainage, making and repair of roads constructed mainly for agricultural purposes, or for the convenience and the profit of industrial or manufacturing concerns. Cases of mixed expenditure, on branches in which the general interest and special advantage to the owners of real property and traders are interwoven, must be met by an equal distribution of the outlay over taxes on income, and on real property and trade; such cases would comprise public roads, waterworks, fire brigades and street lighting. For dealing with subordinate items of expenditure in which the elements of special benefit and general advantage are intermingled in such a manner as to present a difficulty in striking a simple and uniform mathematical expression of relation, considerable latitude is allowed to the local authority, so long as general equity is observed and the creation or fostering of vested interests is avoided.

[1] Cf. Miquel's speech (April 29th, 1893) quoted in Frankenstein "Handbuch der Staatswissenschaft." He considered education and police as "national" services. For poor relief, cf. Armenwesen by Dr. A. Weber, p. 27; "Die Unterstützung ist eine Staatslast, die dezentralisierend nach dem Aufenthaltsprinzip zu tragen haben (*a*) die Ortsarmenverbande, und (*b*) Landarmenverbände."

The foregoing general principles are interpreted by the following regulations. If the necessities of the local authority are only such that the required funds may be obtained without burdening the transferred taxes on land, buildings, and trade—"real" taxes—more than 100 per cent. of the national rate on the basis of the State assessment, then the income tax—"personal"—may be left out altogether or raised at a lower rate. "If the land, building, and trade taxes exceed 100 per cent., then the income tax must be burdened to the extent of not less than two-thirds of the full rate. If all taxes require to be burdened to the extent of 150 per cent. of their full rate, then for every additional 1 per cent. imposed on the land, building, and trade taxes 2 per cent. may be added to the income tax. If the land, building, and trade taxes exceed 200 per cent. of the full rate, then the whole of the remaining levies must be thrown on the income tax. Within these limits the local authorities may do as they please; if they have not made up their minds within the first three months of the financial year, the superior authority may impose a compulsory arrangement."[1] Equalisation of rates is permitted and encouraged by mutual agreement where any local authority is compelled to undertake work or incur expense outside its own area.

Although the question of grants from the central to local authorities will be specially treated later, it may be mentioned incidentally here that the reasons given for the transfer of the land, building, and business taxes to the local bodies were (1) to afford a substitute for the previous general grants in aid,

[1] Row Fogo, *Economic Journal*; see also, "Local Government and Finance in Prussia," Foreign Office Series, No. 487 (1899): "If the taxes on realty and trade are imposed at the rate of 101 per cent of the State tax, the income tax may not be imposed at a higher percentage, but may be collected at 67⅔ per cent. If the percentage of taxes on realty and trade is 150, then that on income tax may be 100 or 150 per cent. of State amount. More than 200 per cent. of the State realty taxes may not be imposed without special permission." Also Cd. 4750 (1909), p. 41, n. This means that up to 150 per cent. the burden is to fall primarily on the realty and trade taxes, and only secondarily on the income tax; once 150 per cent. has been reached, however, the order is reversed; additional burdens now fall first on the income tax; beyond 200 per cent. all increased taxation falls on income alone.

which had become entirely unsatisfactory; (2) to provide the local authorities with sources of revenue which might be expected to grow, and in the equitable assessment and levy of which the local bodies might associate direct interest with close surveillance; (3) to relieve the State income tax for purposes of general interest. The particular sources were chosen because the local institutions and expenditure were those by which local property and trade were most likely to profit. At the time of transfer the land tax amounted to £2,000,000, the building tax to £1,750,000, and the trades tax to £1,000,000. These sums, compared with the other countries, make a comparatively small total, the general tendency in Prussia having for a considerable period been to draw little from those sources for central needs, abandoning them to the local authorities.

The Prussian legislature has accordingly by this measure attempted to satisfy local needs by local effort, and to provide for concerns of wider interest by variable revenues, obtainable in variable ratios (the extremes being, however, fixed, unless with special permission to the contrary) from various sources; while, as the final resort and connecting link, appear local additions to the State income tax.

In England the poor rate, as we have seen, was originally intended to be paid in accordance with ability; some of the other rates, *e.g.*, sewers, were intended to be paid according to direct benefit; but in the process of finding a standard of ability and a measure of benefit which could be applied to later services for which provision had to be made, the actual working compromise applicable to all the rates is "annual net rental value" of certain kinds of immovable property which by statute or legal decision have been defined as "rateable" property. Complaint is often made that it is only one class of property in respect of which persons are called upon to bear the burden of local rates, levied alike on the same base and assessment, taken generally, for all purposes alike, loco-national as well as purely local. Moreover, though the various sums required for various purposes—whether in control of the general or of a special local authority—are, it

is true, expended on separate objects, yet, in practice, the spending authorities as a rule obtain their revenues by precepts on the guardians, who proceed to obtain the necessary funds by levy of poor rates. As the various means of assessing ability and interest have crystallised on rental value, so have the revenues of most spending authorities on the poor rate.

As a result of this practically single tax system at home complaints are common that the ratepayers in general have to pay too large a proportion for services which the State requires to be undertaken, and which should be borne on the broader back of the taxpayer; that the burden of the loco-national services is not evenly distributed between various districts; that for both local and loco-national services there is not sufficient variety in the sources of local revenues, and that too great a dependence is made on what is in effect a single local tax; that rateable property for both kinds of services is in too unfavourable a position compared with other kinds of property; that certain classes of ratepayers are unusually handicapped solely on account of their businesses necessitating the holding of a large amount of rateable property; that urban ratepayers particularly have to bear a greater share per head than the agricultural district ratepayers; and, especially in urban districts, that the direct burden of the rates falls solely on the occupier and not on the landowner, though the latter benefits largely by the development of towns and by the expenditure made from the rates on improvements.[1]

The revenue of local authorities depends on expenditure, and the amount and nature of the necessary taxation should be determined by the nature of the expense involved. On this principle there has been in the foreign countries considered, though in varying degrees, (1) a general decrease in the share of the National Exchequer in the proceeds of taxation on the basis of land and buildings, and a much more than corresponding increase in the local revenues derived from the same source; (2) a more or less well ordered and general attempt to differentiate the particular

[1] Cf. Final Report, p. 11.

burdens which should be laid on the two elements of faculty and benefit in local taxation, and to differentiate national from strictly local services, both of which kinds are, and must be, to some extent administered and paid for by responsible local authorities; (3) an encouragement and general increase of payments for special services; (4) a greater resort to indirect taxes on consumption to rectify some of the temporary or inherent weakness of direct taxation under the conditions which actually obtain; and (5), as a general result of the inadequacy of all these systems and combinations, a marked increase in the assistance granted in various forms from the central Exchequer.

In the Central Treasuries of most Western countries the importance of the revenue obtained by means of taxes on immovables based on annual value, though still considerable, has relatively declined, as the proceeds of the personal taxes and of the indirect taxes on commodities in general demand have grown.

In France, especially since the transfer of the land and buildings taxes to the communes in Prussia, the handing over of the entire proceeds of the Foncier tax to the departments and communes has been suggested, but hitherto, owing to the central needs, without any actual result.

It is interesting, however, to trace the gradual alteration of financial destiny of the land taxes in each of the three countries considered (see tables on opposite page).

In the interpretation of these figures it is, of course, necessary to remember that, as in England, there is considerable difficulty in attempting to trace the incidence of these taxes, especially of the portions levied for local purposes. It is impossible to state in a precise and definite manner where the final burden rests; recourse must be had to qualifications and conditions which make it inadvisable to give arithmetical expression to what, after all, is only a general tendency. But these figures do roughly show the impact of the taxes, they show the general tendency of taxation for increased local powers and responsibilities, and they are definite as to the particular authorities who are in the main responsible for the levying of the taxes and the expenditure they were raised to meet.

FRANCE (in Millions of Francs).[1]

	State, Central Authority.					Departments.					Communes.				
	1838.	1877.	1891.	1900.	1905.	1838.	1877.	1891.	1900.	1905.	1838.	1877.	1891.	1900.	1905.
Of Cont. Foncière land) . .	193	175	191	206	208	46	92	101	107	117	24	77	95	103	119
„ Portes et Fen. (doors and windows). .	26	41	54	62	65	2	9	12	14	17	1	14	19	22	26
„ Pers. Mob. (rentals) .	42	60	84	97	99	10	26	33	40	43	4	22	31	38	44
„ Patentes (licences) .	31	125	117	133	138	2	23	22	27	31	3	36	40	46	56

BELGIUM (per Inhabitant, in Francs).[2]

	State.		Provinces.		Communes.	
	1840.	1890.	1840.	1890.	1840.	1890.
Of Cont. Foncière (land) . . .	4·27	3·98	0·34	0·59	0·30	1·71
„ Personelle (rentals, etc.) . .	2·08	3·05	0·16	0·36	0·14	1·03
„ Patentes (licences) . . .	0·71	1·13	0·01	0·13	—	0·17

PRUSSIA (in Millions of Marks).[3]

	State.			Local Authorities.		
	1883.	1897.	1906.	1883.	1897.	1906.
Grundsteuer (land)	40	*nil*	*nil*	20	42	42
Gebaudesteuer (built-on land) . . .	28	*nil*	*nil*	13	54	75
Gewerbesteuer (business)	23	*nil*	*nil*	—	27	40

[1] Compiled from Ann. Stat., 1907 etc.

[2] Stat. Gen. du Royaume (1840 to 1890).

From Report *re* Taxation of land and buildings in European Countries, C. 6209 (1890), and Stat. Jahrbuch for 1908.

The danger of being dogmatic appears from the following among other, circumstances. Of the direct contributions in France, the tax on land and on land occupied by buildings, and the mobilier, may be said to affect persons interested in house property. "The doors and windows tax, though by law imposed (as is the mobilier also) on the tenant, is frequently paid by the landlord, and the mobilier or rent tax, though paid by the occupier, indirectly affects the owner. Consequently, in addition to the property tax on buildings, house property has to support in some measure a share of the taxation on rents and doors and windows; and as this share is difficult to compute, it is not to be expected that an accurate estimate can be made of the incidence of taxation on the owners of houses." [1] Again, the distribution of the land and house taxes is very different in different parts of France, and the centimes additionnels are variously imposed; the old inequality of treatment of various districts, especially in the repartition of the land tax, has by no means disappeared, and valuation of both land and house property in France, as in Belgium, is in many areas almost hopelessly out of date.

Speaking of the general determining factors in the incidence of the direct taxes in France, Leroy-Beaulieu says: [2] "The part of the foncier tax which is levied on agricultural properties falls entirely on the proprietor; it is he alone who supports the weight of it, without any means of throwing it back on the consumer, nor even on the farmer, for, if the farmer's profit fell below the customary rate of profits throughout the country, all allowance being made for the advantages and risks of different professions, the number of farmers would rapidly diminish, so that an increase of the foncier tax could only be cast very temporarily by the owner on to the farmer. As for the consumer, it has been superabundantly shown that augmentations or diminutions of the land tax are of no consequence to him."

And concerning "the tax on buildings, does it fall on the owner or on the tenant? Answer can only be made by

[1] C. 6209 (1890), p. 12.
[2] Leroy-Beaulieu, "Traité de la Science des Finances," Vol. I., p. 438.

means of a distinction. If the country is progressing—if the population, industry, or general standard of convenience is rising . . . then the tax on buildings falls on the tenants.[1] . . . In a town which is growing, where building is going on steadily, the tax on houses falls on the occupiers, if not immediately, at least in a very short time. The incidence of the tax on houses and buildings varies therefore according to the relations of supply and demand.

"The design of the legislator is that the tax on doors and windows should fall on the occupier. The proprietor pays first, but the law gives him right of recovery from the tenant . . . For the real incidence of this impost it is desirable to make the same distinction as for the tax on constructions; in general it rests on the occupiers . . . the only exception being where the supply of houses is greater than the demand, and the proprietor is therefore compelled to make allowance for the tax in the rent charged."[2]

It may be due to the conditional nature of the incidence of the built-on land and house taxes, and the possibilities of the burden being shifted according to circumstances, that we find legislative financial arrangements made with a vague sense of reliance for combining fruitfulness with general equity on some sort of compensatory principle, which may be applied by the local authorities in some measure on broad outlines laid down by the central authority. Thus, in France, we find (*a*) a variation in the maximum amounts leviable on the various bases; (*b*) a certain margin of freedom in the combinations of additional centimes on the different contributions (perhaps because the governing factors of supply and demand might in some instances be known and taken into account by the local body); (*c*) a greater resort to revenues of more diffused incidence in the larger towns, viz., by octrois;[3]

[1] Leroy-Beaulieu, "Traité de la Science des Finances," Vol. I., p. 439.
[2] *Ibid.*, p. 457.
[3] By a Law of 1832 and art. 5 of Law of July 3rd, 1846, in the towns having an octroi, the Municipal Council by decision submitted to the approval of the President of the Republic may exonerate the inhabitants from payment of (*a*) the poll tax element in the mobilier, and (*b*) afterwards from the letting value rate; the equivalents being paid out of the proceeds of the octroi. Cf. Boucard, p. 262.

(*d*) an increase of revenue obtained from the patentes, which, like our taxes on business profits, are in many cases transferable on to the general body of consumers.

Again, the same tendency is visible in Belgium, where we find, largely on account of the unfairness of the direct taxes (owing to out-of-date assessments and loose valuation machinery), (*a*) a greater resort to special local taxes, and personal contributions on a mixed basis of general ability; or (*b*) local real taxes on a basis of recognised and measurable benefit which the State taxes do not sufficiently cover; and, finally, (*c*) an increase of general subventions out of the Central Customs, paid to the local authorities not according to amount of State taxation, but on a population basis, and intended to specially meet the exceptional necessities of the more thickly populated urban areas.

Moreover, a somewhat similar phenomenon is manifest in Prussia, where, although the land and buildings taxes on an annual rental valuation are both paid by the owner, yet the land portion has always been small compared with the revenues obtained from buildings and business, both of which have a more variable and diffused incidence; taxation on both of these must bear a certain ratio to taxation of general income; encouragement is given to obtain revenues by profits from municipal monopolies, from indirect taxes on consumption of general commodities (except those necessary for the actual support of life), and from additions to the general income tax, which are so important and characteristic a feature of Prussian local finance.

As a result of the complaints made against the single tax on occupiers of land and houses, which is the mainstay of English local resources, it is not surprising that numerous proposals for enlarging the basis of local taxation have during the last century been frequently made.

Of these the most prominent are that the local authorities should themselves levy some of the Imperial taxes, or that they should levy additions to them for local purposes, somewhat on the pattern of the foreign countries just discussed.

The "well chosen items" to which Gladstone looked to

broaden the base of local resources which would appear at all to lend themselves to this purpose are a proportion of the licence duties, the inhabited house duty, the land tax, the death duties in respect of real property, and Schedules A and B of the income tax.

Apart from the intrinsic merits or demerits from the point of view of equity of a transfer of the two latter, it is generally agreed that they must be ruled out as impossible of transfer, if regard be paid to probable efficiency and economy. It is generally agreed that "as regards the estate duty in respect of real property and Schedules A and B of the income tax, it is obvious that a dual administration of the law affecting these taxes—that is, partly by the central authority and partly by local authorities—would be impracticable; and, unless those parts of the taxes handed over to local authorities were levied at uniform rates, the system of graduation in the case of the estate duty, and of exemptions and abatements in the case of the income tax, would become unworkable."[1]

Of the countries we have considered, all have succession duties of varying scales and conditions. In each case it is confined to the central authority, while Prussia alone of the three has an income tax from which both central and local authorities may and do derive considerable revenues.[2]

In order that any proposal to allow the local authorities to levy additions to the central income tax on the pattern of Prussia may be adequately considered in full knowledge of all accompanying conditions, it is necessary to point out certain essential differences between the Prussian income tax and our own.[3]

First, it is fixed for a number of years; it is not so much regarded by the central authority as the "sheet anchor" of its finance and liable to frequent alterations to make up deficiencies from other sources of revenue. Again, it is more highly

[1] Report by Sir E. Hamilton and Sir Geo. Murray, Cd. 638 (1901), p. 122.

[2] See Chapter on Taxes on Successions, Bastable, "Public Finance," Bk. IV., c. 9.

[3] Cf. *ibid.*, p. 486.

graded, and all incomes over 3,000 marks are compulsorily "declared"; the land and business taxes are concurrent and not absorbed on the pattern of the English schedules, therefore there is to some extent double taxation; finally, and most important of all from the point of view of allowing additions to it, it is much less in amount for central purposes than in England (in Prussia it realised only £9,300,000 in 1903), and it is not, as in the English case, very largely levied at the source.

It will be remembered that the income tax additions of the communes, which constitute a surtax on the State income tax, on the same assessment and according to the same scale, are the only form of personal tax allowed to the local authorities, the complementary tax on capital being reserved to the central Exchequer.[1] The State income tax includes all incomes over 900 marks, but the communes may subject to their additional percentages all incomes commencing from 420 marks, the prescribed rates below 900 marks being—from 420 to 660 marks, 2 marks, 40; from 660 to 900 marks, 4 marks. The communal authority draws up the list of taxpayers, which is submitted to the Assessment Commission, and is subject to revision by the Appeal Commission, and finally by the highest administrative tribunal—the Oberverwaltungsgericht.

As with the State tax, those subject are—(*a*) all persons who reside in the commune; (*b*) or stay there for three months; (*c*) or, without residing, or staying the statutory period, have landed or house property, commercial or industrial establishments, or exercise there a business or trade; (*d*) companies; (*e*) any other body of public utility (including the State) holding property therein or engaged in any profitable enterprise. Many professional persons and

[1] The Ergänzungssteuer was introduced in 1895 for the purpose of (*a*) imposing heavier taxation on "funded" property; (*b*) of filling up the loopholes left by the income tax; (*c*) of putting the financial organisation on a sounder and more equitable basis; (*d*) of further tapping "property" for the easement of other sources of revenue. See Bastable, p. 477. The receipts from the tax have risen from 31 million marks in 1897 to 39 millions in 1907. (Stat. Jahrbuch für den preuss. Staat. for 1908, p. 215.)

service functionaries, both military and civil, and philanthropic foundations and institutions are by law exempt.

With respect to the State contributions, the tax is paid on the total income. But as soon as we enter the area of the local additions many perplexing problems arise.[1] Any particular commune primarily has only a claim on that part of the income arising out of property held or business carried on in its own area.

On the one hand, for example, a person may live in Berlin and possess there no property, nor pursue any vocation, and draw income from sources situate in other communes; and if those sources be situate in a number of communes, as is becoming more frequently the case, their interests as against one another and Berlin at once come into conflict. Two general rules serve as a first guide in allocating the proceeds, which are complementary or mutually exclusive according to circumstances. First, the quarter of the income of the taxpayer is subject to the communal additions of the commune where he resides usually, or where he has resided during any three months of the year, even if the sources of income are not situate in the commune. If he has resided in two or more communes for the legal period, even if his income is derived from none of them, the quarter of the tax will be shared among the communes in which he is liable. By the second rule, the income arising from immovable property is only subject to tax in the commune where it is situated.

By virtue of the first rule, when the income has its source outside Prussia, or partly in Prussia and partly outside, the commune where the taxpayer resides will receive the tax on a quarter of his total income, and not merely on that portion arising from a source in Prussia. Thus a taxpayer pays, for example, at Berlin 52 marks of tax to the State for an income of 2,800 marks from business carried on there; but if he possesses property in Vienna which brings him in 30,000 marks, his total income is 32,800 marks, and Berlin, in its capacity as the place of residence, will levy a tax on a quarter of his whole income, namely, 8,200 marks.

[1] See "Budget of Berlin," Saint Agnan, pp. 92 *sq.*

By virtue of the second rule, the right of levying the tax belongs in the first instance to the commune in which is situated the fixed property, or where the business or industrial concern is carried on from which the profits arise. If other communes have also the right of levying a tax, because the taxpayer has resided there more than three months, the first commune will lose a part of its right to the whole amount.

From this circumstance arise contingencies and possible cases for which a whole code of numerous and complicated rules have had to be formulated, and which are rendered possible in working by (1) the Prussian system of registration and close administrative control of all the various kinds of fixed property and sources of income; (2) the very general opinion that in spite of the many apparently vexatious regulations the system does, in the long run, work out fairly; and (3) the readiness with which the required self-declaration has been accepted for all incomes over 3,000 marks.[1]

While the general system thus works out very satisfactorily, yet, on the other hand, what might be expected happens in the cases where exceptional demands are made on the income tax assessment for municipal purposes. "One of the disadvantages of the system of municipal income tax is that people, more especially if not bound to certain communities by the ownership of land or settled industries, migrate to communities where a lower percentage of municipal income tax is in operation. Such migrations become more frequent as the municipal taxation increases. Cases to the point have occurred, for example, in Frankfurt where wealthy taxpayers have migrated to Gonsenheim, about ten miles from Frankfurt, where no municipal tax is levied at all."[2]

Similar experience has been met in Berlin, whence the more highly taxed persons have removed to suburbs where the income tax additions were more favourable.[3]

[1] By law of 1891 for first time.

[2] Cd. 4750, "Taxation of land," etc., of 1909, p. 41. Report of British Consul at Frankfort-on-Maine.

[3] See "Budget of Berlin," p. 140.

Apart from immovable property holders, this freedom to move and thereby evade the payment emphasises the personal character of the tax and displays its weakness as a source of reliable local revenue. In England especially "the local authorities have no machinery for detecting concealed income," nor is the concealment viewed from the same censorial standpoint as appears to be the case in Prussia. The mainstay of the English income tax is stoppage at the source. The local officials are in a worse position, apart from this, than the revenue officials are in regard to foreign investments, where failure is admitted. Lord Goschen's view is, if possible, even more conclusive for England now than it was thirty years ago: "It appears to me impossible to devise an equitable local income tax, for you cannot localise income." While the dictum has not, perhaps, as universal an application as would appear, yet, as already indicated, the attempt to obtain local revenue from income tax sources involves minute administrative supervision and, to us, vexatious inquisition, regulation, and control which would probably not work well either from the point of view of the individual, or of justice as between the local authorities.[1]

Over and above the State income tax on annual rental value and the complementary tax on capital value, and the local additions to the income tax and the local land tax,

[1] See Memoranda on Land Taxation, Cd. 4750, 1909; As evidence of the success of the modern arrangements of the income tax may be cited the evidence of the British Consul at Frankfort-on-Maine, February 20th, 1909: "Before 1891 the state of things, if viewed in comparison with the latter-day success, had something decidedly archaic. Complaints about the injustice of the taxes never ceased, the bailiff was uninterruptedly at work, a large proportion of the taxes could not be levied at all, and escaped the Exchequer. It is to-day generally recognised that the system prevailing in Prussia is thorough and just. The limit of incomes relieved of all taxation (for State purposes) has been raised to 900 marks against formerly 600 marks. This measure not only relieved additional members of the poorer classes, but simplified the operation of the whole system. The law of 1891 also introduced the self-assessment or "declaration" of those enjoying an income of 3,000 marks or more. The results of this innovation have proved nothing short of splendid . . . the honesty prevailing in these self-assessments was a surprise even to the optimists."

several towns in Prussia have attempted still further to tap increments of value acquired by town sites for the purpose of aiding local revenues.

Since 1893, considerable elasticity and diversity has not only been allowed to the local authorities, but encouraged, with a view to sparing as much as possible the resort to State income tax assessments. However, in spite of this, the local income tax additions have steadily grown with the necessities and extensions of local governmental effort. Frankfort raised in 1908 a local imposition of 105 per cent. of the State income tax; Homburg, 160 per cent.; Duisburg, 200 per cent.; Barmen and Dortmund, 210 per cent.; and in some cases the local additions rose to over 300 per cent.; on the whole, for the greater towns, 48·5 per cent. of their total tax revenue was derived from local income tax.[1]

Experimental schemes have accordingly been formulated or put in practice in about fifty cities of Prussia for the levying of municipal increment taxes on capital values, both on a periodic basis—annually or after a period of years—and on a change of ownership. This system is capable, with permission of the central authority, if granted, of universal application by reason of the compulsory registration of all transactions in land in the Grundbuch, a roll of ground titles and in many cases of ground purchase prices, which dates back to very early times and which has played a prominent part in much of the legislation relating to land since the latter part of the eighteenth century. "A register is kept containing an exact description of the situation, etc., of each piece of property, the name of the owner, mortgages or other servitudes on it, and including in many districts the purchase price paid on the various changes of ownership by way of sale. . . . The property only passes when the name of the purchaser has been entered in the 'ground book.' . . . No transaction which involves liability to tax can therefore escape the notice of the authorities entrusted with its assessment and collection." [2]

[1] See *ibid.*, p. 42.
[2] Cd. 4750 of 1909, p. 12.

In illustration of the financial results of this system where it is in working, the case of Frankfort may be cited:—

	Marks.
The total gross revenue of the city in 1906 was	37,084,736
Of which tax revenue	19,441,280
The main items being:—	
Local income tax	9,149,376
Land tax (unbuilt, Grundsteuer)	385,538
House rent tax (Gebaudesteuer)	3,567,284
Business tax (Gewerbesteuer)	1,863,136
New increment tax (periodic and change of ownership)	3,991,996

Cologne (with a population just under half a million) raised a net amount by similar methods in 1905 of 287,176 marks; 1907, of 385,533 marks.

The returns for 1908 will be probably less owing to many appeals against the tax having been successful, and the opinion is held in some quarters that the tax has not been in operation long enough to justify any very trustworthy forecast being made of its probable fruitfulness and value as a permanent source of municipal revenue.[1]

Suggestions have been made that additional funds might be secured to our localities if they were allowed to levy local assessed taxes on horses, carriages, dogs, etc. Already some of these licences figure in the local taxation account, but it is urged that permission to levy local separate taxes or additions might act as a stimulant to economy, inasmuch as the local authorities would be able to abolish or reduce the local contributions. While this may be true as far as it goes, the comparatively meagre amount obtained by these taxes where they are locally levied abroad does not suggest any very large possible additions to the revenue of local bodies by these means at home.[2]

In Prussia the communes and circles may impose a dog tax, and it is frequently resorted to, mainly, however, for police rather than primarily revenue purposes.[3] In 1883–84 this tax brought in to the towns just over one million marks, equal to

[1] Cf. "Taxation of Land, etc., Report" (1909), p. 19. See also *Quarterly Journal of Economics*, for November, 1909.

[2] Cf. Answers by Lord Courtney in "Memoranda," p. 90.

[3] H. de Grais, p. 106, and Kom. Abg. Ges. of 1893, section 16.

about 1 per cent. of their tax revenues; in the country communes it yielded 372,669 marks, equal to 0·5 per cent. Similar returns occurred in 1891–92. In some of the largest towns, where higher taxes are allowed, the yield is greater. In Berlin, where, since 1829, the tax had been 9 marks per dog per annum, the yield was 346,000 marks in 1891; in the latter year the tax was raised to 20 marks, and yielded in 1903, 637,050 marks.[1]

In France a communal tax on dogs is compulsory,[2] and brought in to the communes in 1900 nearly 10,000,000 francs. In Belgium both communes and provinces levy dog taxes, the provinces reaping 2,070,825 francs in 1905 by this means and the communes equally small sums (Brussels 40,000 francs).

Assimilated taxes on carriages and horses brought in France in 1900 12,951,531 francs to the State, and 647,576 francs to the communes; those on bicycles and motors yielded in 1900 4,106,231 to the State, and 1,368,743 to communes. The Belgian provincial taxes on bicycles and motor cars yielded 1,808,161 francs in 1904 and 2,015,663 francs in 1905.

Of the proposal to revive in England any system of "ingate" tolls, or import dues levied on goods brought into the larger towns, it is not necessary to speak seriously; though they were frequent in former periods of our history, our internal trade has gradually been altogether relieved of such duties, the last noticeable abolition being that of the Coal and Wine Dues levied on entrance to the port of London. As the proposal has, however, been favourably renewed by one or two prominent publicists a brief notice is perhaps necessary.[3]

[1] "Budget of Berlin," p. 104, n.

[2] Acollas, p. 111.

[3] "I should be inclined to suggest as a possible means of taxation, though it is against many ideas and prepossessions in this country, a customs duty or octroi on the admission of articles of general consumption into a locality. Such articles as coal and raw materials used in manufacture must be exempted, though even as regards these, the duties if very small, would probably add little to the cost of manufacturing, and would fall on real property in the long run. Apart from raw materials, however, articles of general consumption might well bear a small local duty in lieu of rates on real property. The incidence . . . would ultimately be the same; but the octroi would be the more easily collected:" Sir R. Giffen in "Memoranda," p. 98. For comment on this, cf. Bastable p. 394.

In France, throughout the whole of the nineteenth century, the octrois (which had been abolished by the Constituent Assembly in 1791, and were from fiscal necessities gradually reimposed during the next twenty years, beginning with Paris in 1798) have furnished a large proportion, varying from one-third to nearly one-half, of the total receipts.[1] As this system of indirect taxation on necessary articles of consumption on entering the communes applies only to those of over 4,000 inhabitants (1,504 out of 36,168 communes in 1903), particular towns in many cases reap a much larger proportion, *e.g.*, Lyons two-thirds, Dijon five-eighths of its revenues. On the other hand, some of the towns do not profit greatly, and in the case of suburbs of the large towns the practice of compelling them to submit to the octroi for the convenience of collection of the municipal body of the centre is particularly unjust. The towns may recover the dues themselves, or in a more superannuated fashion farm them out to a contractor, which is done in about 400 cases. For thirty years continual agitation for their abolition has been carried on, stimulated by their abolition in Belgium in the early sixties; but in spite of their cumbersome and costly nature, and manifest injustice in raising the prices of necessaries to the poorer classes, the difficulty of discovering sufficient and suitable substitutes has prevented any real progress being made; moreover, the comparative ease of tapping large sources of revenue has so far proved too strong for the municipal councils in straits to make their budgets balance. (It is noticeable in this connection that the Prussian Law of 1893 favours a larger resort to this method of obtaining local revenues.) Improvements have, however, in France taken the form of lessening or removing the dues on "hygienic beverages" and increasing those on the stronger alcoholic drinks. The tutelage of the State in the matter of octrois is absolute; it is an interested party in the proceeds, and

[1] The communal budgets for 1886 showed a revenue of 470,000,000 francs, of which 275,000,000 francs was from octrois—ordinary and extraordinary; of the latter sum Paris took 136,000,000 francs. See Leroy-Beaulieu, p. 791. For later figures, see Table V. (France) in Appendix

reforms which might strike at the national purse are difficult to carry. The movement against the octrois in France did, however, achieve a certain measure of success by a Law of 1897, which gave the communes power to suppress or reduce their hygienic drink dues, and to levy instead various municipal taxes. Of these taxes, those specially designated in Article 4 of the Law are :—

(1) Raising dues on alcohol; (2) establishment of additional municipal licences for sale of drink; (3) taxes on bottled wines; (4) municipal additions to taxes on carriages, horses, billiards, dogs, and (5) additional centimes to the four direct contributions—all these may be utilised by permission of the Prefect; or the Municipal Council may levy indirect or direct taxes by legislative sanction.

The extent to which this substitution has proceeded may be indicated by the fact that, in 1905 alone, 145 communes had recourse to prefectoral approval for their proposed changes, 19 to legislative, and 43 to both.

Prefectoral-permitted changes allowed additional 3,149,894 francs of substituted revenues (of which Paris took about half), and the special legislative permission enriched the communes to the extent of 50,000,000 francs,[1] of which Paris took 40,000,000.

The preamble of the measure for the abolition, in 1860, of the Belgian octrois shows how the system in vogue there previously had hampered industry and commerce, and raised prices of common commodities and necessaries. "The tariffs of the communes contain import dues, export dues, transit dues, stamp duties, duties on manufacture and extraction of certain products of the communes. They are applicable to 136 species of merchandise. The majority of the communes are ringed round with walls, ditches, palisades; entrance is

[1] The details were :—

	Francs.
Tax on built-on land . . .	17,082,678
„ „ sale price of built-on land . . .	14,034,629
„ „ „ „ „ unbuilt-on land . .	208,156
„ „ rental values of houses. . . .	1,682,479
„ „ business premises	1,708,667
„ „ rubbish collection.	5,619,767

only permitted by certain gates and roads. Of the 2,538 communes of the country, there are 78 of them which form in the bosom of the country independent States. An intestine war of tariffs, a war latent but only the more pernicious for the consolidation of the national unity, exists between the communes, and this situation is born inevitably of the system of octrois." [1]

The policy of allowing our higher local authorities enlarged powers of taxation is, in the light of foreign experience, a more open question.[2] On the one hand, Prussia gave rights of self-taxation to the provinces in 1872, but under the present system all provincial revenues, apart from the central subventions, are obtained by precepts on the circles; the latter have powers of self-taxation in any form they please with the approval of the central authority, which is also necessary if the circle taxes exceed 50 per cent. of the State direct taxes. In France all the departmental tax revenues are obtained by departmental additions to the four direct contributions.

On the other hand, separate provincial taxes are a feature of Belgian financial administration, and mainly consist of special additions to liquor licences, sumptuary licences, and establishment licences. Altogether they constitute about one-half of the provincial revenues, and are steadily increasing.

	1850.	1900.	1905.
	Francs.	Francs.	Francs.
Total provincial tax revenues .	3,303,801	15,572,321	19,077,334
,, centimes additions . .	2,718,794	8,612,362	9,702,098
Other provincial taxes . . .	585,007	6,959,959	9,375,236[3]

If these figures be compared with the small proceeds of central subventions to the provinces,

in 1850	in 1900	in 1905
only 282,347 francs,	277,163 francs,	317,973 francs,

[1] Richald, "Les Finances Communales en Belgique," p. 35.
[2] Cf. Final Report of Local Taxation Commission, p. 125, and Memoranda on Classification and Incidence, C. 9528, p. 90.
[3] "Annuaire Stat. de Belg." for 1908.

it will be realised that Belgium prefers to allow the Provincial Assemblies to levy local taxes for their necessary expenses, in accordance with the important part the provinces have always played in Belgian administration, rather than depend on central subsidies to carry on provincial functions.

As part of a national system of taxation according to "ability to pay," the English inhabited house duty carries an air of plausibility and apparent justice. Ability to pay as discovered by rental value of dwelling-house occupied has much to commend it generally, and the commendation bestowed on this method of arriving at an equitable basis for taxation has often been quoted.[1] Mitigations and exemptions, however, suggest weakness in the general proposition. Houses of less than £20 rental are free of tax, and those ranging from £20 to £60 pay only reduced rates. Shops, used only as such, are exempt, and in cases of composite establishments the shops are charged at rates one-third lower than those applicable to private houses. Thus the tax is rarely paid by the lowest classes, and the burden of the lower middle-classes is somewhat eased, while taxation of industry and business is reduced to a minimum. On the other hand, "the advantage it gives to persons who choose to live in lodgings and hotels is indefensible, and its scale of graduation makes it a progressive tax on large families in the very class from which it is most desirable the population of the country should be recruited."[2]

Having a localised base, and being easily capable of local levy and collection, it would appear eminently suitable for handing over to the localities. As at present levied the duty

[1] "A house tax, if justly proportioned to the value of the house, is one of the fairest and most unobjectionable of all taxes. No part of a person's expenditure is a better criterion of his means, or bears, on the whole, more nearly the same proportion to them. . . . If what a person pays in house rent is a test of anything, it is a test not of what he possesses, but of what he thinks he can afford to spend. To the equality of this tax there are but two decided objections. The first is, that a miser may escape it . . . the second is, that a person may require a larger and more expensive house, not from having greater means, but from having a larger family." J. S. Mill, "Principles," chapter on "Direct Taxes."

[2] Answers of Professor Cannan in "Memoranda," p. 172.

is but a very rudimentary approximation to a tax on income, which for Imperial purposes is best raised by the income tax proper. Like the land tax, it is in effect a local rate, the proceeds going to the national Exchequer; and like the land tax, it also has a very irregular distribution. Of the seven million houses in Great Britain in 1900, less than a million and a half (of which half a million were situated in the metropolitan area) were charged with the tax; the £20 limit freed from it 23·7 per cent. of London houses and 83·8 per cent. of the remainder in Great Britain. Injustice is done as between town and country by the fact that the different values of similar houses in each are not considered, and as the tax falls mainly on urban areas, where the rates are already high, it only adds to the injustice.

The proposal to hand the duty over to the local bodies has, however, met with a mixed reception. On the one side, opponents of the transfer maintain that it would under those circumstances be almost indistinguishable from a rate, with a very partial, capricious, and probably prejudicial incidence. The legal and administrative difficulties are great, and would only be accentuated by its transfer to a multitude of varying authorities. The distribution of the relief thus accorded by the transfer would also operate very unfairly between districts of different characters—those with a good proportion of residential houses of an expensive type deriving more advantage than those mainly comprising less pretentious house property where yet the real need for assistance to local revenue for local improvements, sanitation, and other local requirements would probably be the more pressing. The real nature of the difficulties and injustice involved in transfer indeed induced Mr. Goschen, who had advocated the measure in 1871, to finally abandon it in 1888, since, as he explained, "the results would have been so unequal in different counties."[1]

Advocates of transfer as stoutly contend that "it is undesirable that there should be any tax on houses in the

[1] 3 Hans., Vol. 325, p. 123, April 20th, 1888.

system of national taxation."[1] Its transfer to the authorities of the localities would afford "an excellent means of adjusting the disproportionate pressure (of present burdens) upon the smaller occupiers."[2] "There seems to be no justification for the continuance of this special additional rate for national purposes" was the contention of Mr. Goschen's Bill of 1871 (which, however, was overlooked in the arrangements of 1888). Professor Cannan says: "If the inhabited house duty is to be maintained, it should be given to the local authorities in place of some of the present subsidies, but I should much prefer to see it abolished."[3] Professor Bastable recommends that the duty "should be handed over to the local authorities."[4] An additional suggestion was made by Professor Marshall that it should be still collected by the central authority, but "used as a fund for the assistance of specially poor districts."

Finally there have frequently been advanced proposals for the transfer to the local authorities of the proceeds of the English land tax. Though originally levied on a basis of annual rental value, supplemented by rough and ready additions where necessary from general income, it has long become a charge in respect of taxable fixed property levied at different rates in different localities, the charge being heavy in some districts and hardly appreciable in others, and the proceeds going entirely to the central Exchequer. In effect it is a local rate, levied in a capricious fashion as between different districts, owing to the varying extent to which the process of redemption (under the Act of 1797 (38 Geo. 3, c. 60)) has been carried, and to the changes in value of landed property. This want of uniformity would make its transfer to the local authorities inequitable from the point of view of general relief, and the inadvisability of its transfer from an administrative standpoint is further emphasised by the more

[1] Final Report, Professor Sidgwick's opinion cited, p. 22, and "Memoranda," p. 109.
[2] Final Report, p. 23.
[3] *Ibid.*, p. 22, and "Memoranda," p. 172.
[4] *Ibid.*, p. 22, and "Memoranda," p. 144.

recent practice of allowing exemptions and abatements which arise from changes in income tax assessments.[1]

Summing up the various considerations which have occupied this chapter, the following appear to be the main conclusions to which the survey has led.

First, that locally assessed and administered revenues from land and fixed property, and from such exercises of trade as can be localised, are most fitted to meet the main and permanent requirements of local government, and are increasingly being applied in the countries reviewed to meet expenditure on local purposes.

Secondly, that some of the chief sources of revenue of the local authorities abroad are, under present conditions, not available to English local bodies, notably the octrois of France and the additions to State income tax in Prussia.

Thirdly, that there has been an attempt made, with more or less success under modern conditions, to meet local requirements from combined sources, of which some are estimated according to the principle of "ability to pay," others according to "benefit received."

Finally, in our own country, although in the main and generally it is true that rental value is a suitable basis for adjusting payments for local benefits and services, it is not an entirely equitable and precise criterion of means to pay for services of general utility; and that while "rates" for strictly local purposes have rightly been, and will probably continue to be, the main item of the receipts of local bodies, yet, owing to defects in valuation and assessment, the present contributions to loco-national services inflict great hardships not only on individual ratepayers but also on areas of varying resources.

See Final Report, pp. 22, 70, 110, 142.

CHAPTER XIX.

National and Local Services.

The past century has witnessed repeated readjustments and divisions of duties between the central and local authorities in most Western States.

In England the process has been largely modified by traditional supreme regard for local autonomy; the rearrangement of relations for the purpose of meeting new needs or grappling with new problems has had to be made with full recognition of the fact that the local governments, whether exercising traditional powers or those granted by Parliament, have always regarded themselves as associates rather than subordinates of the national Government. Any increase of power by the central departments has always been jealously watched as an invasion of the proper domain of the local bodies.

Nevertheless, for the effective administration of the whole work of government, the mobility and changed conditions of the past century have considerably modified this traditional narrow autonomy. But the development has been irregular, the increased powers conferred on the historical areas and artificial divisions being usually such as suited the particular contingencies and the convenience of the time; and the problem of making any rearrangement in mitigation of the chaos of authorities has always been rendered more difficult by the desire to avoid friction, and to foster the spirit and practice of local self-government.

Accordingly, while the powers of the central departments have enormously increased and the burden of supervision correspondingly grown, "the attempts hitherto made at the decentralisation of control have been very slight."[1] The

[1] Ashley, "Local and Central Government," p. 351.

county councils have received certain powers over the rural districts in sanitary administration, and over the parish councils in respect of many matters of general local government, and the powers of the county council in the metropolis over the loans of the borough councils have been strengthened; but further than this little has been done towards the transfer to the county councils of any of the powers exercised by the central departments which was contemplated by the Local Government Act of 1888.

On the Continent the movement has been, on the other hand, centrifugal; larger powers of local self-government have been granted to relieve the central authority, but those powers have been, and remain, strictly controlled by the operations of an administrative hierarchy and administrative law. In France and Prussia (and also in Belgium to a large extent in practice, though with modifications of political form) the scheme of devolution has had three objects in view: first, the decentralisation of the general administration; secondly, the introduction of a non-official element into the business of that administration; and thirdly, the supervision of that administration by means of an administrative jurisdiction exercised by independent organs and moving on well-defined lines.

Everywhere where the Continental type of administration prevails the control of State services has remained in the hands of the central authority. The gradual process of decentralisation has been accompanied by a strict definition of those branches of administration which, in the interests of the State as a whole, must remain in the complete control of the central authority; and secondly, those which might safely be left to the localities themselves.

It is well at the outset to recognise that this division is a purely administrative one for the purposes of the State as a whole; the financial distribution necessary to support the administrative divisions thus defined being an entirely independent matter, and arranged so as to derive resources from all the various grades of authority, and sometimes also of establishments and institutions recognised as of public utility,

but obtaining a large part of their revenues from endowments or voluntary subscriptions.

Although, therefore, the chief Continental nations make a clean-cut legal division between national and local services, they mean, in practice, that those services are national or central in which the central authority representing the whole people has supreme interest, and can and does insist on full control and administration, whether the whole cost or only a part be borne by the national Exchequer. This control is enforced by the Minister to whom the service is in the first instance handed over, either by general or special law, and by his subordinates in the various local areas; and the necessary means must be provided by the local self-governing bodies before even consideration may be given to other matters.[1] Under these systems local services are those in which the State has only an indirect concern, and which in the interests of all may be advantageously left to the local authority under only indirect and weaker control of the administrative superiors in the hierarchy. For some of these services, though the State as a whole is only secondarily interested, the dead weight of expense in some cases, and the impossibility of meeting local requirements from strictly local sources, have prompted the State to lend a helping hand by loans and, in a very few instances, by grants.

The foreign "obligatory" expenditure is accordingly on services declared such either in the constituent Act or subsequently, and for which the local authority must in its capacity as an elected body provide, such services being entrusted to them for deliberation and criticism as a matter of general State convenience. To insure compliance on the part of the elected deliberative assemblies, the centrally-appointed or approved representative of central interests can impose additional taxation if necessary, or insert requisite expense in the local budgets.

It will thus be seen that in the administration of national services the central delegates and the local bodies share in varying proportions the administrative responsibility; and

[1] Cf. Bérthelemy, "Droit Administratif," p. 808.

as the controlling power is in the hands of the central organ, and moreover the local funds in large measure are derived from centrally-controlled additions to State taxes, the central authority may logically take a share itself in the bearing of the cost.

On the other hand, in England the responsibility for administration is mainly left in the hands of local bodies whose legal resources are largely independent of the central Exchequer, and for both reasons the local resources should be sufficient.

In both cases, however, whichever point of view of administration be adopted, the financial problem of how to provide for increasing needs, whether dictated by social compunction or central initiative, has had to be faced. Both at home and abroad strictly local resources have proved insufficient, the hardships of ultra-local separation have had to be mitigated; the higher authorities have had to give a helping hand.

We may therefore perhaps profitably consider how the problem of extending judicious assistance has been attacked in the countries under review. This is the more important since the English subventions form a much larger part of the income of the local authorities, and the conditions of that assistance are, in the opinion of all who are conversant with local finance, in urgent need of being remodelled, with a view to securing greater efficiency and economy in those branches of public service which are at present entrusted to the local authorities.

It may be observed that, both at home and abroad, the services which are both nationally administered and nationally paid for are extremely limited in number. With the exception of certain departments of the administration of justice, of police, and of the roads, there are no instances of total transfer to State management and the central Exchequer. In every other case, as in England, national services are financed with the help of the local authorities.

"The central authority (in England) has taken over some services the cost of which fell formerly on the rates. The

most notable instance of this is the prisons' service, which has accordingly become a national service. But though it has lost its local character, it is important not to omit it in connection with the subject under consideration, because relief to the ratepayers when 'out of sight' is apt to be 'out of mind.'"[1]

The foregoing extract from Sir Edward Hamilton's contribution to the Report of the Royal Commission on the Incidence of Local Taxation perhaps lends colour to the popular conception of a "national" service. Great confusion appears to obtain in the public mind in England as to what are properly described as "national services." There is a very prevalent feeling that any service which is compulsory on the local authorities, but in which the general interest is a dominant feature, is a national service; and as a natural corollary to the axiom that the authority compelling expenditure should itself raise the necessary funds, that the central authority should take over the entire control and charge; in other quarters where "national" service burdens are complained of there is a confused, hazy idea that the State should pay while the local bodies spend; or, but with no definite limits laid down, that the State should contribute the main portion of the cost while the freedom of the local authorities should be in no considerable degree restricted.

In the absence of any further advantageous entire transfers at present to the central authority we may next proceed to consider in the light of foreign experience the other alternative, namely, that the expenses of certain services which are under present conditions necessarily administered by the local authorities should be defrayed to a larger extent from other than local resources.[2]

The first point to notice is that, as a necessary corollary to the sharing of the burdens of expense, the compulsory submission of both annual budgets and accounts to a higher authority is everywhere among the Continental peoples

[1] Cd. 638, Final Report, p. 103.

[2] On the question of the advisability of further entire transfers of services to central management, see Final Report, Local Taxation Commissioners, pp. 12—13.

insisted on. All accounts, whether of corporate bodies or administrative sections, or institutions recognised as of public utility, are examined at the end of each year by a higher authority; moreover, the local authorities must in every case prepare and submit an annual budget, which only becomes executory after approval by the supervisory authority. These combined requirements give early and ready opportunity, not only to check illegal or excessive expenditure, but also to insure that proper provision is made for obligatory and desirable expenditure on services approved by the legislature and handed over to the care of the central departments. It should be observed that this systematic requirement of submission of budget and audit of accounts relieves to a considerable extent the central departments of unnecessary dealings with the minor authorities; in narrowing circles the central authority is able not only to keep in effective control even the smallest local body, but to do so with the possibility of close local surveillance on the part of their own capable and dismissable officers, who possess in many cases intimate knowledge of local needs, interests, and peculiarities, but are under strict central control.

Thus, in France, the communal budgets are drawn up by the mayor and presented to the municipal council at its May session ; the budget is voted in chapters like the State budget. Supplementary credits may be obtained during the year at any time, but they are presented as the supplementary budget of the next year; any change in the destination of the funds once granted can only be made by the council, and with the approval of the supervisory authority if they concern obligatory services ; for optional services the council can finally decide. The budgets of towns whose budget of receipts for the preceding three years has reached 3,000,000 francs go to the Prefect or sub-Prefect. Accounts must also be sent to the Prefectoral Council with all necessary documents, or to the National Court of Accounts for audit if they, during the three previous years, have exceeded 30,000 francs. Fines of 10 francs to 100 francs per month of delay are imposed on accountants of the smaller communes, and of

50 francs to 500 francs in the case of the larger ones, which the communes are bound to pay.[1]

For the departments the Prefect occupies a similar position in respect of their budgets which the mayor does for the communes; he prepares the budget, and submits it first to the Departmental Commission, allowing ten days for its consideration, and afterwards to the General Council, which votes it. It is voted in the August session, and to be legal must be submitted to the Minister of the Interior, who submits it in turn to the office of departmental accounts and afterwards to the Council of State (Section of the Interior); approval being granted, the Minister publishes and prints it.[2]

All bureaux de bienfaisance and hospices must in similar manner submit their accounts to the mayor and send their regulations and reports to the Prefect, although their funds in many cases are chiefly made up of charitable bequests and voluntary subscriptions.

In Belgium the Echevinal College (burgomaster and echevins) are bound to transmit every year a report on the administration and the situation of affairs in the communes to the Permanent Deputation (an elected committee of the Provincial Assembly).[3] The annual budget, drawn up and passed by the council, must be submitted to the approval of the same deputation, which can refuse its sanction to any one or several items, and can, if the communes prove recalcitrant, itself levy for necessary supplies towards obligatory charges, subject to appeal on the part of the commune to the King. All Poor Law institutions must send in their accounts to the communal authorities. Similarly the central Government can impose necessary taxation to meet obligatory expenses in the provinces, and the provincial budget must annually be submitted for approval.

[1] See Acollas, "Finances Communales," Chapter on "Budget et Comptabilité," pp. 123—140.

[2] Cf. Dubois, "Budget Départemental," Réglementation Budgétaire, pp. 129—154; Simonet, pp. 275 *sq.*

[3] For budgetary regulations in Belgium see Bernimolin, I., pp. 286 and 477 *sq.*

In Prussia financial estimates and changes in proposed taxation must be approved by the circle or district authority in communal matters, or in important subjects like the introduction of new taxes or breach of the proportional distribution of charges, by the Minister of the Interior or the Finance Minister.[1]

In spite, however, of this strict system of control over both finance and administration, a specially noteworthy feature of both France and Prussia is an almost entire absence of general grants in aid of the whole expenditure of the local authorities. The State is only interested directly in national services, and in respect of these alone, almost without exception, does it feel bound to come to the assistance of the local bodies to whom for administrative convenience and economy it has handed them over.

In Prussia the only general grant-in-aid which was ever experimented in proved such a complete failure, and worked so unsatisfactorily, that it was wholly withdrawn on the handing over to the local authorities of the land, building, and trade taxes in 1893.[2] In France the general grants, which take the form of percentage shares of the proceeds of certain State taxes (eight-hundredths of the patentes, 5 per cent. of the taxes on horses and vehicles, 25 per cent. of that on velocipedes, five-fourteenths of the yield of sporting licences) are obviously and confessedly primarily intended as monetary inducements to the communal authorities to keep a closer surveillance on the assessment and collection of the taxes for the benefit of the central authority; the general grant to the departments is perhaps on the least blameworthy footing, consisting as it does of an annual allocation of an almost fixed and comparatively small amount to the most necessitous departments by the Minister of the Interior, and on the ground of general need for the provision very largely of efficient road maintenance in the poorer and most mountainous parts of the Republic. In Belgium the present very considerable subventions out of the State

[1] Cf. H. de Grais, "Handbuch," pp. 106 *sq.*
[2] Lex Huene, see *supra*, p. 245.

Customs to the communes, though nominally a mere substitute for the old octroi dues, till 1860 collected locally, are really general grants in aid of local resources, which are usually recognised as unfair in allocation, and indeed so much so that, thirty years later, in 1889, with the hope and intention of rectifying the injustice, further assistance from a similar source was granted on a different basis of distribution.

The experience has been that it is exceedingly difficult, first to discover an equitable basis for allocation at any particular point of time; and, secondly, even more difficult to devise one which will not rapidly become obsolete and unfair. The general grants are, moreover, open to the further objection that there is manifest injustice in making the whole community pay towards the entire body of services of any particular locality; the public welfare is only involved in the efficient carrying out of certain specific parts of the duties of the local authorities, and it is to the furtherance and stimulation of those parts of expenditure that any outside aid should go.

Coming now to subventions for specific objects, we find, as might be expected, that the services towards the cost of which the assistance of the central and higher local authorities has become necessary are mainly those of essentially modern growth—efficient education and police protection, more humane Poor Law administration, and better communications. How these modern needs have been met has, in common with all other branches of public endeavour, been largely affected by previous history and general political development, but the common tendency is unmistakable.

Outside assistance to the communes in France has been most marked in the provision of primary education. Originally this was a communal duty entirely, the expense being met by four ordinary special school centimes, and, in cases of need, by three extraordinary ones. Later, some costs of training institutions were laid on the departments for which they were bound to levy four special centimes. By the School Law of 1881 the State was bound to meet the deficit where the communal and departmental resources did not

cover the whole cost. Not unnaturally, as there was strong central pressure exerted to raise the personal efficiency of the teachers and the character of the schools, and at the same time there was always the State to fall back on when deficits had to be faced, this arrangement did not last long. By the Law of 1889 the personal charges for teachers' salaries—with the exception of those in towns of above 150,000 population—were taken over by the State, which now levies the eight ordinary centimes on its own account; in the case of the larger towns, the central authority hands back to the municipal council the produce of these centimes levied by it in such town areas. As salaries and indemnities for lodgings are higher in the bigger towns, their municipal bodies have higher proportionate charges to bear, which the French Government, like the Prussian, thinks they can afford to do. As a consequence, payments for teachers' salaries have almost disappeared from the communal budgets. School inspection is at the cost mainly of the central authority, which also subsidises the communes for specific objects according to need—for school libraries, examination prizes, medical inspection, and special courses of instruction for youths. According to the budget for 1902, the State paid out for primary instruction: For school inspection, 2,343,770 francs; teachers' salaries, excluding the larger towns, 127,838,260 francs; other subsidies for specific purposes, prizes, etc., 2,401,000 francs. All these sums went direct to the communal cash accounts.

Similarly in Prussia the personal costs of the teachers, whose training and certification are in the hands of the central authority, have been in large part in recent years borne by the central Exchequer. As a result of almost continuous legislative and administrative insistence on higher attainments, the costs to the State of the popular schools rose from three million marks in 1871 to twelve millions in the early eighties. This aid was given by special grants to the various school deputations in proportion to their needs, as judged by the communal assessment to the State taxes and the number of school places they were called upon to

provide. But the local expenditure had meanwhile risen from forty-two millions to ninety-one millions of marks. To relieve the pressure on the localities, and to further insure more adequate pay and efficiency of the teachers, in 1885 the central authority undertook to pay 600 marks towards each teacher's pension, which made a total subvention of three and a half millions of marks. The Act of 1888, modified in 1889 and 1897, fixed the minimum salary at 900 marks for each male and 700 marks for each female teacher; of this the central Exchequer contributed, till 1908, 500 marks for each head master, 300 marks for each head mistress, and 150 marks in other cases; the Law of 1908 raised the State subvention by 150 marks in each class. It further contributed 337 marks and 187 marks respectively per teacher per year towards the school funds for augmenting teachers' salaries, which increase with length of service. Recent legislation has, however, limited the awards of these grants to not more than twenty-five teachers in any one commune.

In Belgium any outside aid to the communes for primary education is dependent on their first having raised from their own areas a compulsory 4 centimes as a minimum; if this has been done and proves insufficient, the State grants a subvention on the basis of population, 1 franc per head of the inhabitants of the commune. It also lays down a minimum salary for teachers, the minimum number of free places in confessional schools, and contributes very considerably towards teachers' pensions, and the construction of school buildings. The State pays the expenses of general administration and inspection; the provinces also employ an inspectorial staff upon whose reports the subventions of the Provincial Assemblies towards cost of repairs and construction of schools in the more needy communes depend. Training establishments are maintained partly by the provinces and partly by the central authority.

In the domain of Public Assistance there has been, especially in the latter portion of the century, a marked movement in financial aid of the responsibilities of the local bodies.

In France, by a gradual process extending over nearly the whole of the past century, the care of the various branches of public assistance (the treatment of the mentally afflicted, deserted children, medical aid, etc.), which lent themselves to institutional attention, has been transferred to the Departments which are responsible for the organisation and administration of the different categories, to the expense of which in varying proportions both central Exchequer and communes contribute. In quite recent years the provision of pensions for the aged poor has been treated as a development of public assistance, and established on the same principle of compulsory proportional sharing of the burden of cost between the State, the departments, and the commune of birth or settlement. This division of charges according to varying scales has a double effect: the poorest communes are not by this method over-weighted, nor does the afflicted person suffer in treatment owing to the fact that he was unfortunate enough to have or acquire a domiciliary claim on a poverty-stricken commune. The richer communes in the department and the general contribution from the State lend a mutual and combined succour. The scales of partition of expenses vary from one law to another (the several services being the outcome in the main of separate enactments), but they have some common principles which may be set down shortly thus:—

(1) That, whenever possible, the relieved person or his relatives should pay a proportion of the expense according to means; (2) the remaining expenses are shared compulsorily between the commune where he has claim, the department, and the central authority; (3) the Council General of the department has the final voice in the distribution of the expense among the minor authorities and institutions of public charity and utility, which must share in some cases; (4) the shares of the State, department, and communes are determined according to scales which are added as schedules to the various laws, and allow of very considerable variations of combinations of payments from each grade of authority, following the special financial circumstances of each area;

(5) as a rule, in the earlier laws, the Councils General were to base the compulsory contributions of the communes on the assessable value of the commune, plus any other special charitable resources it might happen to possess; (6) the departmental subvention is variable, and dependent on the needs of the particular commune, being proportionately greater in the case of the poorer communes; (7) if the department is compelled to levy taxation for this purpose, which practically always happens, the State subvention is determined in proportion to the need of the department as shown by the value per square mile of the departmental centime, and varies directly with the poverty of the department and the requirements of the particular service in need of State assistance; (8) in some instances, for example, "children assisted," the expenses of inspection and supervision are maintained solely by the central authority, which also takes over all cases where no local settlement, departmental or communal, can be claimed; (9) as the total burden of the various services grows, the State contribution increases; (10) the later laws take as base, instead of assessable value, the assessable value per head of the population, thus increasing considerably in the case of the poorer and most populous areas the subventions from the department to the commune, and from the State to the department for public assistance by way of old age pensions to the aged over seventy years of age, and to the incurable and infirm; (11) for dealing with necessary costs of disinfection and other hygienic outlay, the law of 1902 provides that towns of 20,000 and upwards shall receive a share of the expense of carrying out the law from the central authority, for smaller towns and country districts the expense is to be borne by the departments and the State alone.

In Belgium the policy has been adopted of providing for certain categories of public relief by means of a common fund, which is constituted as a Provincial Fund in each of the nine provinces, and to which the communes contribute on a scale drawn up and determined by the Permanent Deputation of the province. An example may be taken from West

Flanders, where, in 1907, the communal quota was 0·33 francs per inhabitant of each commune, and 7·55 francs per 100 francs of the amounts paid by each commune in direct State taxes.

Owing to the lax way in which these common funds had been administered in the early years following their first institution in 1872, and the wide margin of objects which might be paid for out of the funds, restriction was necessary, and it is found in the Law of November 27th, 1891, which confines the legal payments to those for maintenance and treatment of lunatics, imbeciles, deaf mutes, and the blind.

Of these expenses the "fonds commun" in each province bears one half, the provincial budget supplies one-eighth, and the central Exchequer pays the remaining three-eighths. In West Flanders the costs were thus shared :—

	Total.	Fonds Commun (4/8).	Province (1/8).	State (3/8).
	Francs.	Francs.	Francs.	Francs.
In 1900 . .	925,033	462,516	115,629	346,888
„ 1905 . .	1,076,978	538,531	134,612	403,835

In Prussia the institutional charges rest with the Landesarmenverbände, which are usually identical with the provinces. They provide compulsorily establishments for the care of lunatics, imbeciles, epileptics, deaf and dumb, and blind. The cost is shared with the Ortsarmenverbände, which obtain at least two-thirds of their funds from the circles, the latter in turn distributing their quota among the communes in proportion to their shares of State taxation. This strict levy on assessment is mitigated by the possibility of grants from the higher to the lower authorities, as, for example, to local hospitals and infirmaries, which are granted only voluntarily and according to proved necessity and disproportionate burdens.

In the allotment of the older grants to the provinces since 1875 by the central authority, two-thirds were paid in proportion to area, and one-third in proportion to population,

as it was generally agreed that for some services which were then handed over to the provinces the expense was likely to be in proportion to the size of the province (*e.g.*, roads) and for others (*e.g.*, public assistance in its various forms) in proportion to population. By the later scheme of allocation of 1902 the new grants were to be allocated by: (1) State income tax payment per head of population; (2) the percentage of (1) to all local taxes; and (3) the number of civil population.

In all the foregoing changes the desire to effect the economy of large operations, to distribute the burden of necessary expenditure over as large an area as possible consistent with efficient administration, to make segregation possible by aggregation, were the determining motives; but in each country each stage of authority has its financial responsibilities, each is subject to higher control, and the burden is distributed as far as possible in proportion to the ability of the districts to bear it.

The relief granted by the State to local authorities in the provision of adequate police forces is tinctured by political considerations, and consists in the French and Prussian exchequers bearing the main portion of the costs of the gendarmerie, a force organised on a military basis and intended for the execution of the general law, the protection of the central executive, and the maintenance of general security. For such reasons its control is entirely in the hands of the central authority. The local police also in certain towns in Prussia have been transferred, partly from a similar motive, to the State, which claims the entire administration, and till 1908 bore the entire cost over and above a per head of population payment in proportion to the size and resources of the town; since that date the financial arrangements are on a half-and-half basis, which, however, includes the whole cost of the service and not, as in England, merely half-cost of pay and clothing. In Belgium the gendarmerie is State-paid, only minor expenses of barracks falling on the localities, which bear the whole cost of municipal and rural police. In each country the police of

the capital is largely subsidised by the central authority, which retains complete control.

For the maintenance of the road service in France and Belgium the central authority has intervened by taking over the whole cost of construction and support of the chief roads, over which its jurisdiction is unlimited. In Prussia the State has transferred along with the care of the main roads very considerable sums, paid in annual subventions to the provincial authorities, for the maintenance and extension of the principal routes. The minor roads are in every case provided at the cost of the subordinate bodies with occasional inter-subventions based, in the main, in proportion to the needs of the locality and to the general utility of the subsidised roads for common communication.

For the various remaining classes of local services occasional grants are made. In the allocation of these grants, made voluntarily either by the State or the intermediate authority, the widespread utility of the service, and the extent to which it is from that point of view desirable to assist in the general interest, and the total financial responsibilities and capacities of the district are the determining factors.

In all these States the system of either sharing the costs or of granting subventions is applicable to the whole country. While a large amount of freedom is bestowed on the regional authorities in the granting of voluntary aids, the controlling authority must be satisfied that the local body which gave the grant had sufficient grounds for doing so. In the case of the compulsory subventions, while they are in only limited percentages, yet the varying scales are applicable according to circumstances throughout the whole country and on a uniform base, so that, as far as possible, the discharge of "onerous" duties may be equitably distributed as between the regional authorities and also those of a minor type. As the needs of the communes vary, so does the amount of outside assistance given; but in every instance it is made either directly or indirectly on the authority and responsibility of a central Ministerial department which is amenable to the criticism and final control of the central legislature.

In England the intervening link between the central departments and the minor local authorities is missing; we have in most matters no administrative hierarchy, and the practice and spirit of extensive local responsible government have become traditional and inherent. But, while making all necessary allowances for variations in methods of administration and ideas of local self-government which prevail at home and in the countries which have been surveyed, the following general principles governing the administration of the grants-in-aid may fairly be drawn:—

(1) Grants should only be given to services in which the general interest is predominant, and the expenditure on which it is generally considered desirable to stimulate.

(2) Grants should be made direct by a central department to the local authority in charge of the service, the latter being subject in all cases to thorough inspection and audit yearly.

(3) Grants should be conditional on the efficiency of the service, and variable, so as to increase the effectiveness of the central supervision and control.

(4) Allocations of grants should be arranged so as to minimise the inequalities between different districts in respect of expenditure on loco-national services.

(5) In no case should grants be given to objects which directly and obviously raise the value of fixed property in any locality.

(6) Subject to these conditions being fulfilled, the grants should, as far as possible, and in view of all the circumstances, for financial and administrative reasons, be kept at the lowest proportion necessary to achieve all the purposes of grants-in-aid. They may, however, fairly vary as between the various services, according as (*a*) the element of general advantage is involved in the efficiency of any particular service, and for which the general purse should pay; and (*b*) the extent to which the particular Exchequer grant may have a prejudicial effect on the local administration of the service.[1]

[1] Cf. Separate recommendations by Lord Balfour of Burleigh, Cd. 638 (1901), p. 73: "Having considered the varying circumstances of

(7) For the convenience of the Treasury the total of the grants might be fixed for a certain specified term of years, the details of allocation, and the special regulations governing them, being subject to periodic revision.[1]

the different local areas and the services we regard as national and onerous in character, I am of opinion that the grant should not exceed one half of the total expenditure. Although this proportion might safely be somewhat greater in the case of the police and asylums, it should be well below one-half in the case of the guardians' expenditure. For technical education the grant should be equal to the sum at present assigned, or might allow a margin to facilitate redistribution. In particular districts, the proportion must of course, vary considerably according to the circumstances of each."

[1] *Vide supra*, p. 266, for the Prussian grant in 1902, in which this suggestion was made.

CHAPTER XX.

Loans to Local Authorities.

The serious and rapid growth in local indebtedness is not a phenomenon peculiar to our own country.[1] As a marked and disturbing feature of local finance in each of the States under review it has accompanied the extensions of local government, the rise of modern necessities, and the larger amount of disposable wealth seeking satisfactory investment such as is provided by public bodies. Local debts have far outstripped local taxes, they run side by side almost with the great increase in expenditure, and they are almost everywhere growing steadily heavier per head of the population; what proportions they have been in the past, and are in the present, of the total social wealth is necessarily a much more difficult question to answer.

In a great measure local debts have been the inevitable result of the expensive character of improvements in the means of communication, in the facilities for education, in the sanitary and development schemes of the greater towns. The steady rise of town populations has compelled everywhere the outlay of vast sums, which it is neither possible nor just to obtain by immediate taxation. While the present inhabitants benefit largely, the appreciable permanency of the improvements made insures a considerable handing on of benefit to posterity, for which it should in equity be compelled to pay.

The common causes and the common experience of most Western States have led to the adoption of very similar

[1] For growth of local indebtedness, see Bastable, "Public Finance," pp. 712—721; P. Dubois, "Essai sur les Finances Communales," pp. 273 *sq.*; Montigny, "Principes de Finance et de Comptabilité Communales"; Kaufmann, "Die Kommunal-finanzen," and Kommunales Jahrbuch (1908 and 1909).

expedients for dealing with local debts. While in earlier times such exceptional revenues as were necessary were raised by mortgages and floating loans, in more recent years the larger towns and more responsible authorities have acquired the power of issuing their own Corporation stock on the model of the national Government, and numerous institutions of a public and private character have arisen with vast accumulations seeking profitable investment, and either as buyers of municipal stock, or as agents and negotiators of loans direct to the local authorities have made all the conditions favourable for the easy acquisition of extraordinary revenue. Moreover, the democratisation of local institutions has offered temptations to the local authorities of avoiding the unpopularity of increased taxation, and rendered them more prone to resort to the easier method of balancing their budgets by way of loans. It is in the adjustment of the burden between the present and the future that the function of the central authority as the preserver of financial honesty, the alleviator of immediate hardship, and the guardian of the interests of future citizens is brought into play.

The intention in all these countries, though worked out in slightly different ways, is (1) to keep down local debts in the interest of general financial security and of later generations of taxpayers, by making such legislative and administrative regulations as should provide sufficient safeguard against rash borrowing; (2) to enable local authorities to borrow necessary funds as cheaply as possible. The State is the guardian of posterity, and everywhere its approval has to be obtained after qualitative and quantitative tests. "Is the object for which application is made desirable and necessary?" and "Can the means for achieving it be obtained in no other way; must it be by extension of credit, and for how long should the period of repayment be allowed to run?"

While, however, these restrictions have had to be laid on over-readiness to resort to credit, the central authority in each country has been bound to recognise that the gradual extension of local government which has taken place with

the double object of relieving the national Executive Departments and of rendering the local administration of general and local affairs more efficient, has necessitated not only the enlargement of the local authorities' powers of obtaining ordinary revenue for current expenses, but also an access of facility to obtain the necessary means of undertaking such heavy or exceptional expenditure as fell within their province, and which could only be effected by extraordinary revenue.

A short historical sketch of the development of means of credit for local bodies in each of the three foreign countries we are considering and at home will serve to illustrate the methods adopted for this purpose, and the regulations which it has been found necessary to impose for the minimising of local debts.

In addition to the floating debts of many of the Continental local authorities, consisting of payments by annual instalments for purchase of land, or even, in some cases, for public works, three species of loans are found :—[1]

(1) Loans raised directly by the borrowers.

(2) Loans advanced by credit institutions with the sanction of the State, and for the purpose of which the State grants special facilities.

(3) Loans advanced by the central authority itself, either (*a*) from the central Exchequer or (*b*) from a subsidiary Government financial body or institution, for which the central Exchequer is guarantee.[1]

The first method is available, as a rule, only to those larger authorities and towns which have sufficient security (offered by property, industrial domain, or tax revenue) for the stock they are permitted to issue. Accordingly the loans raised by this method are comparatively small, *e.g.*, in France in 1891 (Paris excepted) only 18 per cent. of the communal loans were obtained in this way.

The second method, on the contrary, is available for both large and smaller authorities; it further offers special

[1] Cf. Dubois, pp. 283 *sq.*; Montigny, pp. 2 *sq.*; Simonet, "Droit Administratif," pp. 403 *sq.*; Kaufmann, Bd. II.

advantages in a lower rate of interest and greater facility of negotiation. The Centralbodenkredit in Prussia had lent up to 1889 21,000,000 marks to the smaller communes, and up to the same date the Rheinische Hypothekenbank had advanced to the communes and circles some 2,000,000. In France the central authority grants special sanctions for loans contracted with the Crédit Foncier, especially since the suppression in 1893 of the special State funds allocated to the granting of loans for specific purposes, viz., the Caisse des Chemins Vicinaux (for construction of cross roads) and the Caisse des Écoles (for building and extensions of school premises).[1] In 1898 the sums due by the municipalities in France to the Crédit Foncier represented 45 per cent. of the total local debt. In Belgium the Crédit Communal, established at the time of the abolition of octrois and for the purpose of insuring safe financial transition, still allows the communes credit to the extent of their share in the allocation of the "fonds communal"—the proceeds of some of the State Customs.[2]

The third method is that whereby the State itself makes advances, either direct from the central Exchequer or through an intermediary Government credit establishment. In this fashion of giving aid to the local authorities England led the way by the establishment of the Exchequer Loan Commission in 1817, which has developed into the Public Works Loan Commission, to be considered later. On this pattern France created in 1868 a special central fund, financed by the issue of central Exchequer bonds, for loans towards construction of roads, and ten years afterwards another fund for building of communal colleges, lycées, and primary schools. The unsatisfactory working of this system, the low rate of interest charged having led to financial embarrassment of the central authority, however, caused the entire abolition of direct loans of this type in France in 1893. Loans since 1893 have been granted from the fund accumulated by the individual purchases of old age assurance annuities, etc.

[1] Cf. Dubois, p. 284.
[2] Cf. Richald, Vol. I., pp. 96 *sq.*

Prussia uses for the purpose of local loans the funds accumulated under the old age, sickness and invalidity insurance laws, and grants loans to the communes at an average interest of 4 to 4½ per cent.[1]

Instead of advancing directly from the central Treasury, the State may also endow a Governmental establishment, distinct from the Treasury, with a civil personality, and use it as intermediary for the purpose of loans. Thus, in France, in 1838, the Caisse des Depôts et Consignations was authorised to make advances to the local authorities out of its available funds.[2] From that date to 1852, when the Crédit Foncier was created, the Caisse des Depôts held a monopoly of this business, which, however, it did its best to discourage by keeping its rates of interest high. Later demands for other purposes on the Caisse des Depôts have made it still less eager to accommodate the communes, and in 1898 only about 3 per cent. of the communal debt was owing to the Caisse. This system has the advantage, from the point of view of restricting local borrowing, that the funds thus made available for loans are in a measure limited, and the amounts which it is found advisable to lend to the communes are small.

[1] Cf. Cohn, "Science of Finance," p. 737.

[2] The Caisse des Depôts et Consignations was created in 1816; its rules, functions, organisation, and powers have been defined and regulated by later legislation. The supervisory committee having final control of the finances are two senators and two deputies, elected by the upper and lower chambers respectively, the president of the court of accounts, the governor of the Bank of France, the president of the Paris Chamber of Commerce, two members of the Council of State chosen by the central Government, and the director of the fund, who occupies a position at the Ministry of Finance. This committee elects its own president, and reports annually to the Senate and the Chamber of Deputies on the "moral and material" condition of the fund; this report is published. It receives judicial fines, contractors' guarantees, whether for public works or octrois, deductions for pension purposes from public salaries. It carries on under guarantee of the State operations with funds received into the national and mutual savings banks, insurance funds for old age, death, and accidents; and is expected not only to "conserve" but also to "fructify" sums entrusted to its charge. The funds are employed in loans to the central authority, to the railways, to the departments and communes. For some years it had paid a fixed interest to depositors of 3 per cent., which was reduced in 1893 to 2 per cent. Profits and unclaimed deposits accrue to the State. "Traité de Droit Public et Administratif," par J. B. Simonet, 3rd edit., pp. 766 *sq.*

LOANS IN FRANCE.

The borrowing powers of the departments in France have changed considerably during the past century. The Law of 1838 directed that in every case the application for a loan should be submitted to the legislative authority. In 1866 it was thought that without any grave risk the Councils General might be allowed to raise loans, with a maximum repayment period of twelve years, if they were covered by the proceeds of the ordinary centimes or of the extraordinary centimes then allowed by the Finance Law. Five years later the period was extended to fifteen years, repayments to be made out of ordinary or extraordinary resources. Beyond that limit the loan could only be authorised by a special law. In 1898 the period allowed for repayment was raised to thirty years; only loans of longer duration require special authority, and that is no longer given by the legislature, but by a decree of the Council of State.

The total amounts of the departmental debts have only been comprehensively drawn up since 1885; they were then 465,000,000 francs, including an undefined proportion of floating debts; at the end of 1903 they amounted to 569,238,532 francs, an increase of ninety millions during the preceding four years.[1]

The purposes for which these debts have been incurred may be generally indicated by the following extract from the report of the Director of the Departmental and Communal Administration to his chief, the Minister of the Interior, in 1903:

"This increase (in years 1899 to 1903) is sufficiently important. But in this matter the special point to which importance must be attached is whether the expenditure, to which these borrowings correspond, is useful and in a measure necessary. When this is determined, it seems legitimate to spread over a series of generations the burden of the expense

[1] For other years, see Tables in the Appendix. From 1871 to 1882 new debts were contracted of 191,000,000 francs; paid off by sinking funds, etc., 35,000,000 francs; net increase of debt was 156,000,000 francs, or an increase of 80 per cent. in eleven years. From 1882 to 1902 they increased by 175,000,000 francs, or more than 50 per cent. in twenty years.

from which they will derive benefit. This essential feature the departments have not overlooked. The loans realised have for their object the establishment of railways of local interest and departmental tramways,[1] the contribution of the departments to other railways, the advances to the State for telephone extensions, and the improvement of the district roads. These are expenses which are essentially useful. The realisation of loans is also commendable when made for the purposes of conversion; this operation has been notably undertaken by the Department of the Somme during 1903.

"Further, if the total of the departmental debt has increased during the year, the wealth of the departments has also increased considerably by the establishment of the railways and the telephonic network. The expenditure under this head has favourably influenced the development of agriculture, commerce, and industry, and has carried to the population of the districts interested a means of increase of resources generally superior to the temporary sacrifices which have been imposed on them."[2]

In the same year (1903) the service of this debt (including annuities, guarantee of interest and other charges) was 52,718,629 francs, an increase of 5,503,798 on that of 1899.

The French communes may also be authorised to contract loans or other engagements extending over a period of years, but a considerable body of restrictions prevent them from burdening the future too freely.

From the time of Colbert (1662), the exercise of this function has been dependent on central approval; accordingly, the Municipal Law of 1837 lays down that "every loan of communes with less than 100,000 francs income shall require

[1] These enterprises are less advanced in France than in some Continental countries, *e.g.* Belgium. The financial obligations of the departments consist in (*a*) a guarantee of interest up to 5 per cent. to the shareholders of the company to whom the light railway has been conceded; and (*b*) a large proportion of the expenses of establishment, usually three-fourths, or in cases of not very successful undertakings, even more. Cf. "Chemins de fer d'interêt local et tramways," in P. Dubois, "Budget Départemental," pp. 82 *sq.*

[2] Bulletin de Statistique, October, 1906: "La Situation financière des Departements," p. 453.

a royal ordinance, and those of a higher income a special law." By the Law of 1867 a municipal council could vote the incurring of a debt covered by a loan running for twelve years, if the charges for interest and sinking fund could be provided from the proceeds of ordinary centimes; if recourse was had to extraordinary centimes (up to a limit of 5 centimes) they could only anticipate future revenue for five years. For other loans the consent of the Prefect was required if they were within the conditions laid down by the current Finance Law; all loans for longer than twelve years, and going outside the limits of the extraordinary additional centimes approved for the year, needed a decree of the President of the Republic, which was to be issued in Council of State if it concerned a town of more than 100,000 francs income. All communal loans of over a million francs, or raising the total debt over that sum, required the sanction of a special law passed in the usual way through the Chambers.

The Municipal Law of 1884 conferred on the councils the right of controlling by their vote the sums obtained on credit and repayable by means of extraordinary revenue, levied up to a maximum period fixed annually by the council general of the department, and not exceeding 5 centimes during five years, or by means of ordinary resources when the repayment period does not exceed thirty years.[1]

The loans requiring more than five extraordinary additional centimes, and going beyond the five years, required the consent of the Prefect; the approval of a simple decree was necessary for loans which would necessitate a levy of more than the maximum of extraordinary centimes fixed by the Finance Law; for all loans over thirty years, a decree had to be issued in Council of State. The distinction which had been made between towns of over 100,000 francs income was abolished, but the 1,000,000 francs total debt limit was retained.

In 1902 came a change in the position of the Prefect's supervision and right of veto over municipal loans. The municipal council can now determine finally on all loans

[1] Cf. Simonet, p. 393.

with up to thirty years repayment periods, so long as they do not go beyond the maximum of extraordinary centimes allowed by the annual Finance Law. Loans with the same period, but necessitating more centimes, must have approval of the Prefect, and all loans for over thirty years must be approved by decree of the President issued in Council of State. All loans over a million, or raising the total debt above that amount, still require a special law.

The effect of these changes is that the freedom of the larger towns has been considerably increased in the taking up of loans up to thirty years (and beyond that limit of repayment if their resources from octrois, etc., enable them to avoid the necessity to resort to more than the prescribed maximum of extraordinary centimes); and, in practice, the control of the Prefect will be confined to the medium and small towns and rural communes.

Paris can neither raise a loan nor any extraordinary revenue without special authorisation of a law.[1]

The continuous growth in debt outside the metropolis is further emphasised by the wider distribution of communes which have burdened themselves with debt. From a return specially compiled in 1892 it appears that:—

In 1862	out of	37,505	communes	4,486,	or 11·9	per cent.,	were	in debt.
„ 1868	„	„	„	13,592,	„ 36·1	„	„	„
„ 1877	„	36,055	„	17,999,	„ 49·8	„	„	„
„ 1890[2]	„	36,144	„	26,434,	„ 73·1	„	„	„

In some of the departments nearly every commune has contracted one or more loans; in Eure-et-Loir, for example, only one-twentieth of the number of communes is free from debt. These debts, however, are comparatively light; the debt per head of the small communes being only some 20 francs per inhabitant, while in the towns whose debts exceed 1,000,000 francs and represent 84 per cent. of the total communal indebtedness, the average is 286 francs per head of their population; in Paris, in 1891, it was 798 francs per head, and in 1906 over 900 francs.

[1] Loi, July 24th, 1867, art. 17.
[2] "Bulletin de Statistique," 1892, Vol. 32, pp. 275 *sq.*

Yet, owing to the greater range of their resources, it is not so much the larger towns as the small ones which feel the embarrassments and burdens of the debts which they have been induced to incur, and which are quite beyond their ordinary resources. "One could point out," says M. Paul-Dubois, "several municipalities in France which are to-day compelled to have recourse to credit to pay the interest of their debts." [1]

The effect of the gradual loosening of restriction on communal loans may be seen from the appended table, which shows the communal loans granted by special laws (excluding Paris) in the period 1851—1890.

French legislation prior to 1878 only very rarely sanctioned the raising of loans with a longer repayment period than thirty years; since that date a notable change has been made. "Of the 509 loans authorised by the Chambers from 1879 to 1890, 387 had a duration of more than thirty years and extending even to fifty years." [2]

This movement has been accelerated by the general lowering of rates of interest. Before 1878, in France, the average rate for local loans was rarely below 5 per cent.; since then there has been some improvement. The Caisse des Depôts et Consignations now requires 4 per cent. from the communes, and the Crédit Foncier 4·2 per cent. The towns have in many cases by the issue of their own stock under favourable conditions, and by conversion, been able to get better terms, the average rate for the larger towns being 3 per cent.

LOANS IN BELGIUM.

The creation of a Société du Crédit Communal was the inevitable corollary of the suppression of octrois in 1860.[3] During the long debates on the latter subject it was pointed out that, with the possible exception of the large towns, the communes would experience probably great financial

[1] "Essai sur les Fin. Comm.," p. 282.
[2] Dubois, p. 291.
[3] Cf. Richald, "Les Fin. Comm. en Belgique," Vol. I., p. 96.

difficulties by the sudden deprivation of resources from local indirect taxation, and that they would necessarily have recourse to credit to reconstitute and improve their financial state and pay off their old debts—an unfortunate inheritance from the turmoil of the revolutionary period and the French occupation, and for which they were paying exorbitant rates of interest.

Accordingly, at the end of 1860, the suggested Société was authorised by royal decree on the recommendation of M. Frère-Orban, who had carried the abolition of the octroi system. The Society's funds were to be available to all the communes and provinces, and to any institution guaranteed by them. Its operations were to consist in issuing loans for works of durable and public utility, for conversion of ancient liabilities, and generally for the regularising and co-ordination of the debts of all local bodies.

The duration of the Society was fixed at ninety-nine years, commencing December 8th, 1860. It obtains its capital by the issue of 1,000-franc bonds and 100-franc coupons. The administration of the available funds is in the hands of a council of five members, nominated by the general assembly, which also appoints a committee of supervision of six members; the general assembly consists of representatives and delegates of all the local bodies which have taken up loans.[1] Loans are granted on the majority vote of administrative and supervisory bodies sitting together. The central authority, which guarantees the solvency of the fund, reserves to itself the power of veto of any proposed action which is either opposed to the law or to the terms of incorporation, or antagonistic to the interests of borrowers or the welfare of the State.

Local bodies which have obtained loans are compelled to pay back to the Crédit Communal by quarterly instalments, which cover interest, amortisation and expenses of administration. For the general convenience, and to save cross payments, the Government will, on the application of any

[1] Cf. Bernimolin, "Les Inst. Prov. et Comm. de la Belgique," Vol. I., pp. 495 *sq.*; Vol. II., pp. 315 *sq.*

commune, deduct these instalments from the sums due yearly to the commune from the Fonds Communal. As a guarantee of repayment the Caisse Générale d'épargne et de retraite, established at the same time as the Crédit Communal, and which receives on deposit any free balances of the provinces and communes, and also the subsidies of the provinces and of the State allocated in the respective budgets but not yet credited to the separate local treasuries, is allowed to deduct from the subventions due to the commune out of the Fonds Communal sums equivalent to at least one-fourth of the annual payments which fall due.

As a general rule the Société does not allow any loans in excess of the amount due to any commune from the central Customs. The advantages offered by the Crédit Communal are not so great as formerly. The fund administration is restricted by statutes fifty years old, and advances are only made to communes in a good financial position at comparatively high rates—for 66 years at 4 per cent., and 33 years at 5½ per cent. The Crédit Communal only accepts as security the actual allocations out of the central Customs. While the special fund of 1889 has increased these subventions to the more populous communes by the additional grants on a population basis, it has done little for the smaller communes, which are sometimes hardly pressed. Moreover, the grant of powers of issuing their own stock has enabled the towns to get the funds they require at about 3¼ per cent., as against the 4 to 5½ per cent. charged by the Crédit Communal.

In recent years the Société Nationale des Chemins de fer vicinaux has enabled the communes to procure at a moderate rate the funds necessary in order to cover their share in the construction of tramways and light railways, and by Ministerial Circular of 15th June, 1892, the funds of the Caisse Générale d'épargne (Central Savings Bank deposits) are made available for the construction or purchase of workmen's dwellings.

As an indication of the extent and character of the part played by the Crédit Communal in Belgium it may be noted that from its inauguration in 1860 to 1888 the Société had negotiated loans amounting to some 125 millions of francs.

Of these 2,479 loans (extending to two out of nine provinces, and to 1,351 communes affiliated to the Society), 2,409 were for sixty-six years periods, amounting to a total of 116,312,690 francs at $4\frac{1}{2}$ to 5 per cent., and seventy were for short thirty-three years periods, amounting in the aggregate to a million and a quarter of francs at $5\frac{1}{2}$ and $5\frac{3}{4}$ per cent. Many of the loans were for quite paltry sums, *e.g.*, three for 1,000 francs each, forty-five for less than 2,000 francs each, twenty-six for less than 5,000 francs each, and 500 for between five and ten thousand francs each.

In 1907, of 42,000,000 francs borrowed by the communes in that year, 15,000,000 were obtained from the Crédit Communal, and 27,000,000 by other means. Of the latter sum 25,000,000 were raised by towns of over 20,000 inhabitants. The number of communes raising loans in that year was 354 out of a total of 2,629 communes in the kingdom. In 1881 there were 230 communes which increased their debt to a total of $12\frac{1}{2}$ million francs, of which two-thirds had been incurred by towns of over 5,000 inhabitants. The total communal debt in the last mentioned year was 603,000,000 francs, involving an annual outlay of 11,000,000 for interest and 14,000,000 for sinking fund. The exact figures were :—

	Francs.
For debts due to contractors, hospices, hospitals, depôts de mendicité	7,649,000
Ancient debts (from time of French occupation) .	14,404,000
Loans approved by royal decrees or by the permanent deputations of the provinces . .	581,000,000
Total debts	603,053,000

Provincial loans are voted by the Assembly, which either itself lays down the conditions of repayment or entrusts that duty to the Permanent Deputation. Large and important loans are, however, subject to the veto of the King. The total debts of the provinces have risen steadily from $9\frac{1}{2}$ millions of francs in 1850 to $37\frac{1}{2}$ millions in 1907.

LOANS IN PRUSSIA.

All corporate bodies in Prussia have had powers to raise loans granted to them; for the provinces by the Provinzial

Ordnung of 1875, for the circles by the Kreis-Ordnung of 1872, and for the towns by various Stadt-Ordnungen from 1853 onwards. In every case the exercise of this power must meet with the approval of the superior supervisory authority; thus the loan resolutions of the country communes must be submitted to and endorsed by the Circle committee; the projects of the towns and circles go to the District committee; the borrowings of the city of Berlin must be approved by the Chief President; the provincial authorities must obtain the sanction of the Minister of the Interior.[1]

The method of taking up a loan, permission having once been granted, rests with the authority desirous of increasing its extraordinary revenues, subject to the general condition that the borrowers make ample provision to "secure the interest and sinking fund." The interpretation of this general principle rests with the supervisory authorities who usually, till quite recently, insisted on a sinking fund of at least 1 per cent. for unproductive purposes, and at least 1½ per cent. for enterprises likely to be productive of future revenue. By a Ministerial circular of 1907 the local bodies are warned that "the increasing indebtedness of the communes is tending to throw too heavy a burden on the future . . . that, recognising this fact, many towns have voluntarily increased their sinking fund percentages . . . and that for the future all communes taking up loans must provide for a sinking fund of at least 1½ per cent. instead of 1 per cent. (for the classes of loans to which the latter percentage previously applied), and for other loans, to the payment of which the higher rate was necessary, at least 2 per cent. must henceforward be provided.

Considerable difficulty has been experienced in the past,

[1] Three principal conditions must be fulfilled before the loan is sanctioned: (1) The sum required must be considerable, and it must be proved impossible to raise it otherwise; (2) the purpose must be truly "extraordinary," for an object with durable utility; even street constructions and school building in a growing town should be regarded as ordinary expenditure, and raised by other means than loans; (3) a minimum provision must be made for adequate sinking fund and interest. Cf. Article by Dr. Otto Most in *Revue Econ. Internationale* for September, 1909, and Kommunales Jahrbuch, 1908, pp. 382 *sq.*

and still exists, in obtaining comparative and comprehensive statistics of the Prussian local debts; but such as are available show that while local debts in Prussia were in the earlier decades of the nineteenth century low compared with those of England and Belgium, yet there has been a steady increase in indebtedness in recent years, and the rapidly growing burdens account for the issue of the circular just alluded to. Thus the debts of the provinces which in 1876 were but 20,000,000 marks, by the end of 1889 had risen to 106,000,000; the circle debts in the former year were 84,000,000 and 203,000,000 in 1899. The indebtedness of the provincial authorities of East and West Prussia, Pomerania and Silesia, between 1885 and the end of the century increased by about 519 per cent.; those of the circles in the same provinces rose about 113 per cent. in the corresponding period.

The debts of the country circles in the seven eastern provinces of Prussia in 1899–1900 amounted to 155,767,000 marks, which had thus been applied :—

	Total of Debts, in Thousands of Marks.	Road Constructions and Repairs.	Circle Administrative Buildings.	Other Public Institutions.	Debt per Head of Population, in Marks.
East Prussia .	22,616	22,001	250	364	12·52
West Prussia .	18,901	18,498	319	33	14·29
Brandenburg .	21,475	17,412	2,272	1,790	9·07
Pomerania .	18,925	17,877	470	81	13·48
Posen . .	16,184	14,612	584	826	9·47
Silesia . .	41,883	38,278	1,558	1,550	10·80
Saxony . .	15,780	14,817	668	237	7·20
	155,767	143,499	6,124	4,884	10·61

In 1869 the sums devoted to interest and sinking funds in the provinces was 1,452,792 marks = 8·2 per cent. of ordinary expenditure and = 23 per cent. of the provincial taxes of that date; in 1902, for similar purposes, the outlay was 5,585,057 marks = 8·4 per cent. of ordinary

expenditure, but only 20·5 per cent. of the 27,000,000 marks of provincial taxes.

In the circles in 1869, for interest and sinking fund, were allocated 5,836,488 marks = 44·7 per cent. of circle taxes; in 1877, for interest and sinking fund, were allocated 7,748,221 marks = 34 per cent. of circle taxes.

The total debt of the large towns appears to be, so far as can be gathered from the statistics which have been compiled, pretty equally divided between remunerative and unremunerative undertakings. The statistical office of the town of Nürnberg published a report on the purposes for which loans were raised in thirty of the largest German towns in the period 1904—6, which shows that of the loans of the three years there was devoted to unproductive purposes 47·51 per cent. and to productive purposes 48·18 per cent. of the total. The purposes are thus classified: Productive—Gasworks (12·25 per cent.), tramways (8·77 per cent.), waterworks (5·81 per cent.), electrical supply (4·28 per cent.), harbour works (2·05 per cent.), slaughter-houses (1·54 per cent.), markets (2·52 per cent.), canals (5·48 per cent.), land purchase (2·42 per cent.), hospitals, etc. (1·26 per cent.).

Unproductive—Roads and streets (9·27 per cent.), schools (7·35 per cent.), administrative buildings (2·77 per cent.), bridges (1·68 per cent.), pleasure grounds, etc. (1·23 per cent.), embankments (0·83 per cent.), theatres (0·77 per cent.) In some towns a cross classification appears: Markets, canals, land purchase, hospitals, sometimes being included under one head, sometimes under the other.

The total debt of these thirty towns in 1906 was 2,314 million marks, the population 9,000,000, and the debt per head 252 marks. The greatest debts per head were in Frankfurt a. M. (548), Munich (488), Mannheim (359), Karlsruhe (341), and Charlottenburg (340); the lowest were at Stuttgart (166), Breslau (160), Essen (141), and Chemnitz (133). The debt cost per head varied from 23 marks in Frankfurt to 7 marks in Stuttgart, the average for the thirty towns being 15 marks.

In 1907 the total debt of German communes (not Prussian exclusively), towns and villages combined, was 6,560 million marks, a grand total which exceeds by one-half that of the debt of the Empire (4,003 million marks). Apart from the loans raised by issue of their own municipal stock, there exist other sources whence the communes may obtain funds to meet such extraordinary expenditure as obtains the somewhat reluctantly granted sanction of the supervising authorities. Communal savings banks and public and private insurance institutions have in recent years taken to a policy of readily advancing credit for municipal undertakings, while in the provinces the provincial assistance funds founded by the State to enable communes in their territories to erect establishments of public utility have certain advantages to offer in the way of accommodating terms and low comparative rates of interest. Altogether, during the past ten years, these provincial funds have throughout Germany advanced 165,000,000 marks to towns of varying populations, or rather more than one-third of the requirements of those towns during the period. Private mortgage banks are rapidly taking up the business of giving

TOTAL DEBTS OF GERMAN COMMUNES (1907).[1]

	Millions of Marks.	Per Head in Marks.
Communes of less than 10,000 inhabitants in 1907 .	1,264·6	
„ (rural) of 10,000 to 25,000 inhabitants .	96	
„ „ of 25,000 to 50,000 „ .	77·3	
„ „ of more than 50,000 „ .	8·0	
Towns of 10,000 to 25,000 inhabitants . . .	670·6	146
165 towns: Towns of 25,000 to 50,000 inhabitants .	561·6	203
165 towns: „ 50,000 to 100,000 „ .	732·7	239
165 towns: „ 100,000 to 200,000 „ .	928·9	287
165 towns: „ more than 200,000 „ .		
(without Berlin)	1,791·6	341
Berlin	429·0	210
	6560·3	

[1] Taken from the *Revue Econ. Internationale*, September, 1909, p. 432.

loans to towns and other authorities (rural circles, rural communes, and school committees). The rates at which local authorities have been afforded the opportunity of raising loans have varied considerably owing to various causes, financial and political, throughout the past century. From 1820 to 1850 3½ per cent. was the usual rate, which was rapidly sent up to 4 or 5 per cent. during the period of the Revolution and the struggle for unity. From 1868 to 1873 5 per cent. was normal. With 1873 set in a steady diminution in the rate to 4 per cent. on the average in 1880, and 3½ in 1885. For ten years this level was maintained; in 1899, for financial reasons, the rate rose to 4 per cent., and, with temporary fluctuations, the latter figure still remains the average percentage charged for loans to the ordinary communal authorities throughout the Empire.

LOANS IN ENGLAND.

In England the assistance of the central Government has been available, to a greater or less extent, since the end of the eighteenth century, when special Acts were passed authorising loans by the Treasury to the local authorities; and in 1817 a permanent body of Public Works Loan Commissioners was constituted for the consideration of applications for loans made by local bodies for public works of certain specified kinds.

The Municipal Corporations Act of 1835, and the later Act of 1882, gave limited powers of borrowing to the town councils for permanent works, such as building, rebuilding, repairing, and fitting up of establishments necessary for town administration and bridges. These works must be "necessary for the proper execution of statutory powers and duties"; the loans must be approved by the Local Government Board, unless raised under powers granted by a local Act; the loans must be repaid within a limited period; the borrowed money is secured by the property, revenue, or rates of the authority which obtains it, either by loans from the Public Works Loans Commissioners or the private investor.

Similar principles were incorporated in the Public Health

Acts, which gave borrowing powers to sanitary authorities, and in the Education Act of 1870, under which the conditions of all loans were laid down by the Education Department. The Public Works Loans Act of 1875 consolidated all previous statutes on the subject of local authorities' powers of obtaining money from the central authority at cheaper rates than it could be obtained by them in the open market. The Local Loans Act indicated certain methods of borrowing open to the local bodies. In that year the local taxation returns for the first time give the total amount of local debt. It is stated then to have been £92,820,100, an increase of thirty-two millions, on the estimate of Mr. Fowler, since 1868; but there had hitherto been no attempt made to "distinguish the various purposes for which loans had been raised by local authorities, and to show the amounts owing in respect of each purpose."[1] Improvement in this direction has been made since 1884.

In 1887, as part of Mr. Goschen's policy of separating local from Imperial finance, a local loans stock was created, by which the advances of the central Government to the local authorities were entirely separated from the remainder of the National Debt. Up to that date £106,000,000 had been advanced to the various minor authorities in the United Kingdom, of which £57,000,000 had been repaid, £12,000,000 struck off as bad debts, and £37,000,000 were still outstanding. Powers in the next year were conferred on all county councils of raising money by the issue of stock of their own; and by the Public Health Act of 1890 any urban authority was equipped with similar facilities for meeting expenditure on public health purposes, if it can obtain the requisite approval of the Local Government Board.

The local authorities may accordingly acquire borrowing powers by either (*a*) clauses in general Acts (such as the Public Health Acts, the Education Acts, and the Municipal Corporation Act), or (*b*) by special local Act.

[1] Report of Select Committee on "Repayment of Loans by Local Authorities," No. 239 of 1902, p. iv. Cf. Blunden, pp. 17 *sq.*

Each general statute usually specifies a maximum period for repayment, the discretion within these limits resting with the government department specially concerned with the object for which the loan is desired. The maximum periods vary from ten to sixty years, and little attempt "seems to have been made to distinguish the various purposes," which may, of course, be of infinite variety.[1]

The Local Government Board, which does most of the controlling (since 1902 also for loans under the Education Acts), usually only acts after local inquiry by one of its inspectors into the "probable durability and continuing utility"[2] of each object for which a loan is required. By a process of equating the periods of utility, an equated period for the whole loan is arrived at, which usually falls somewhat below the maximum allowed. This process of equation is not required where either the sum in each group of items in the estimates is large or the local authority prefers separate loans.

The Local Government Board also, in determining the period allowed for repayment, takes into account not only the "probable useful life of each part of the undertaking," but also "the probable future condition of the local authority with regard to debt."

The periods allowed by the Private Bill Committees, and inserted in the local Acts under which large sums have been borrowed, till quite recent times varied enormously, and the Select Committee appointed to consider "the Repayment of Loans" in 1902 were quite "unable to discover any general principles by which the periods allowed by local Acts have been found."[3] As a result of a previous inquiry, in 1882, it had been recommended that the period allowed by any committee should in no case exceed sixty years, nor should any period be granted which was "disproportionate to the duration of the works to be executed, or other objects of the loan." This recommendation resulted in the passing in the same year of Standing Order 173A, which incorporates it. The

[1] Report of Select Committee, p. iv. [2] *Ibid.* [3] *Ibid.*

Order can be set aside by the House, but no case has yet occurred.[1]

In addition to this statutory check, another restriction is possible from the fact that, if the loan is obtained from the Public Works Loans Commissioners, the period within which the loan is to be repaid is determined by them, under full statutory powers of imposing any conditions they consider advisable to insist on. Section 11 of the Public Works Loans Act of 1875 directs them to "have regard to the durability of the work and to the expediency of the cost being paid by the generation of persons who will immediately benefit."

As a result, their general policy has been to hold out inducements to the local bodies to apply for short period loans by accepting a lower rate of interest for such. The rates in force in 1900 were—for periods not exceeding thirty years, $3\frac{1}{4}$ per cent.; not exceeding forty years, $3\frac{1}{2}$ per cent.; not exceeding fifty years, $3\frac{3}{4}$ per cent.

That the anticipations of the Commissioners were realised largely might be inferred from the fact that, whereas the percentage of the total loans with over forty years' repayment periods of the grand total of all loans stood at an average of 11·04 per cent. in the five years 1888 to 1892, they had been brought down to 3·01 per cent. in the five years 1898 to 1902. But such a deduction would be erroneous, inasmuch as the local bodies were not induced to shorten their periods of repayment; they preferred to go for their long loans to the open market, where they obtained more favourable terms than those offered by the Commissioners.

This close central control has not by any means been accepted with approval by the local authorities, who have protested often against the stringent conditions imposed by the central departments on the period allowed and the manner of repayment—whether by instalments, terminable annuities, or sinking fund. All the witnesses examined in 1902, except those who represented the Government departments, were in favour of relaxation, and the Commission, while of the opinion that a very good case could be made out for short loans as

[1] Cf. Select Committee's Report, p. v.

being in total interest paid much less onerous, yet were "not unmindful of the fact that it is neither wise nor just to place upon the shoulders of present ratepayers too large a portion of the burdens of necessary or useful works from which succeeding generations will derive benefit."[1]

The alterations suggested by the Committee were that the maximum periods allowed under the Municipal Corporations Act (30 years), the Public Health Acts of 1875 (60 years), and the Local Government Act of 1888 (30 years) should be made uniformly 60 years. Loans under the Tramways Acts (1870), in view of the short life of the tramways "and the rapidity with which they become obsolete, and the remarkable progress in mechanical traction," should not be extended beyond their present maximum allowed by the Light Railway Commissioners, viz., 30 years. To increase the uniformity of periods under local Acts, the Committee further recommended that detailed estimates should be compulsorily submitted to the Private Bill Committees, or if the latter were in any respect dissatisfied, the approval of the Government department concerned should be necessary for periods and all conditions pertaining to repayment.

It would appear that public improvements have not been much hindered by this judicious exercise of increased central restriction and supervision, for the local debt has steadily, and in quite recent years even enormously, grown. As in the case of the growth of the rates for current expenditure, so in the persistent and accelerating increase of local indebtedness in England, it is difficult to suggest any effective remedy to which public opinion will easily submit. More thorough central control of loan raising and audit may do something, but in the final resort the decision and responsibility must rest with the local ratepayers who, in the interest of sound finance and economy, should perhaps be content with a slower rate of municipal development.[2]

If the debts per head of population be compared in the countries with which we have been concerned, it will be found

[1] *Ibid.*, p. ix.
[2] Cf. Ashley, "Local Government," p. 167.

that the local indebtedness is heaviest in England and lightest in France and Prussia, Belgium occupying an intermediate position. For explanation of this gradation several reasons may be advanced. The most cogent reason certainly is the fact that the powers and responsibilities of local authorities are in England much greater than in any other European country.[1] The strict central control and the stringent regulations which must be fulfilled as the condition precedent of any sanction to indulge in extraordinary expenditure, coupled with the legislative and administrative control of all sources of revenue, would seem to largely account for the comparative lightness of French and Prussian debts, although it must be observed that, in spite of all restraints, their debts are rapidly mounting. "In France municipal ownership has not gone very far, except in the case of water; for other services the policy generally adopted has been to grant 'franchises' for a term of years in return for annual payments or on other prescribed conditions, such as hours of labour and cheap fares. . . . Advanced programmes of municipalisation . . . have so far been able to do little, largely because of the strength of administrative control."[2] In Germany also certain heavy elements of expenditure do not usually appear as the origin of loans in the local accounts; the loans are rarely to the communes for house schemes, for example, but to the societies of public utility (gemeinnutzige Baugenossenschaften). The following extract from an article by Dr. Otto Most, Director of the Statistical Bureau of Dusseldorf, throws considerable light on this point[3]:—

"Les conditions principales exigées pour cette autorisation,

[1] Cf. Dubois, "Essai sur les Fin. Comm.," p. 276: "De tous les pays européens, c'est l'Angleterre qui a la dette locale la plus considérable. Si, en effet, nous ajoutons en France au montant de notre dette communale celui de notre dette départementale, nous obtenons un chiffre total par tête d'habitant de 98 francs seulement, inférieur de prés de moitié au chiffre fourni par la statistique anglaise. Il faut dire qu'en revanche les attributions des autorités locales sont, en Angleterre, beaucoup plus larges, par rapport à celle de l'Etat qu'en tout autre pays européen."

[2] Ashley, "Local and Central Government," p. 100.

[3] *Revue Econ. Internationale*, September, 1909; article by Dr. Otto Most, Directeur du Service de la Statistique à Dusseldorf, sur "Les Dettes des Villes Allemandes."

et qui sont aussi plus ou moins déterminantes dans les autres États confédérés, portent en Prusse que:

"(1) Les sommes requises ne doivent pas être de trop minime importance, et il doit être impossible de se les procurer par un autre procédé à des conditions aussi avantageuses.

"(2) Les sommes à obtenir serviront à 'de nouvelles installations extraordinaires et utiles pour la communauté, adaptées également à un avenir éloigné'; par contre, les dépenses, en vérité considérables mais se renouvelant avec une certaine régularité (comme l'agrandissement du réseau des rues, la construction de nouvelles écoles dans les communes à développement rapide), ne doivent pas être considérées, en général, comme des nécessités extraordinaires, mais être couvertes par les revenus ordinaires, à moins que les installations en question ne soient en état de payer par elles-mêmes les intérêts et d'amortir l'emprunt contracté pour leur édification (par exemple, les distributions d'eau, les usines à gaz ou d'électricité, et toute autre fabrique productive).

"(3) La durée d'amortissement ne doit pas être trop considérable, et, en aucun cas, supérieure au temps d'usure de l'installation ainsi établie. En conséquence, le taux annuel d'amortissement du matériel sera au moins de $1\frac{1}{4}$ par cent., à ajouter aux intérêts mis en réserve; toutefois, pour les installations périssant plus vite, ce taux sera plus élevé; en Prusse, par exemple, on exige pour les installations de canalisation 2 par cent. Au surplus, la dernière circulaire que nous avons à prendre en considération rappelle aux villes à population s'accroissant rapidement qu'elles devront rassembler à l'avenir des fonds spéciaux ou augmenter ceux existant, afin de couvrir les dépenses se renouvelant sans cesse, et pour lesquelles jusqu'à présent on se serait peut-être souvent proposé de solliciter l'autorisation de contracter un emprunt."

ADDENDUM.

NOTE ON OLD AGE PENSIONS IN FRANCE.

The Law of 1910, which comes into operation next year, adopts the principle of compulsory provision for all classes—agricultural, industrial, commercial, and domestic. It guarantees from the age of 65 years (*a*) an annual life grant of 120 francs, (*b*) an old age pension, and (*c*) in certain circumstances, a disablement pension.

The life grant is to be derived from compulsory contributions by the employers and employed, which are to be collected as direct taxation, and a supplementary subsidy from the State. The old age pension is to be provided by compulsory contributions (men, 9 francs ; women, 6 francs ; minors, 4 francs 50 centimes, annually, till the age of the receipt of the pension) and optional contributions, together with bonuses from the State. The central authority is to be exclusively responsible for grants (*a*) to widows and orphans, (*b*) to persons from 65 to 70 years old who do not benefit under the Pension Act or the present law for public assistance, (*c*) to societies for mutual aid, and for all administrative expenses. The average pension will be about £16 for men and £11 for women.

The present estimates of costs to the State are:—

For annual life grants . . .	69	millions	of	francs
„ pensions	50	„	„	„
„ grants to mutual aid societies	5	„	„	„
„ other grants and administrative expenses . . .	30	„	„	„
Total	154	„	„	„

In the early years the cost will be somewhat under this sum. The maximum is estimated at 165 millions, the total afterwards diminishing in the course of about fifty years to under 120 millions. Cf. *supra*, pp. 189-192.

APPENDIX A.

FRANCE.

Obligatory Expenditure of Departments and Communes.

I. *Departments* (87).

The expenses which the Councils General are legally bound to meet before any other expenditure may be even discussed are :—

1. Maintenance, rent, furniture of buildings of Prefecture and sub-Prefecture (Article 60 of Law of 1871).
2. Maintenance and rent of meeting place of departmental council for education (Law of July 19th, 1889).
3. Maintenance of offices for administration of education.
4. Office expenses of academy inspector.
5. Printing expenses of educational service.
6. Allowances for primary inspectors.
7. Construction and maintenance of training college for teachers (Law of July 7th, 1889; Decree, 1890).
8. Allowances to manual instructors (Law of July 19th, 1889).
9. Salaries and travelling expenses of inspectors of "maternal" schools (Law of March 8th, 1885).
10. Expenses of barracks for gendarmerie, hire, lighting, repairs; *plus* an indemnity of 30 francs a year to each gendarme.
11. Maintenance, furniture, etc., of assize courts, civil and commercial tribunals
12. Petty expenses of the foregoing (11), and of justices of the peace.

13–18. Up-keep and some expenses of departmental prisons and lock-ups.

19. Expenses of service of epidemics (Law of June 21st, 1898).
20. Expenses of conciliation committees for arbitration of trade disputes (Law of December 27th, 1892).
21. Printing and publication of electoral and jury lists.
22. Expenses of free medical assistance.
23. Debts incurred in previous years (interest, sinking fund, etc.).
24. Expenses of deserted children (1904).
25. Expenses of old age pensions (1905).

II. *Communes.*

The expenses which the Communal Councils must likewise in the first instance meet are laid down in the Municipal Law of 1884 (Article 36). They are:—

1. Upkeep of Hôtel-de-Ville (Article 36, No. 1).
2. All necessary printing, publications, etc., of communal administration; preservation of records; payment for official bulletins containing instructions and regulations laws, etc. (No. 2).
3. Upkeep of civil registers of inhabitants, etc. (No. 4).
4. Salary of municipal treasurer, or tax collector (No. 5).
5. Expenses of collection of taxes (No. 5).
6. Salaries and other expenses of municipal and rural police (No. 6).
7. Rent and repairs of court of justices of the peace (No. 8).
8. Expenses of education (No. 9).
9. Communal contributions to expense of infants assisted, and lunatics (No. 10).
10. Lodging allowances to clerics (when ecclesiastical funds are insufficient) (No. 11).
11. Expenses of maintaining, or of closing cemeteries, etc. (No. 13).
12. Expenses of maintaining or establishing building lines and gradients (No. 14).
13. State taxes on profitable communal property (No. 15).
14. Share of expenses of district roads (chemins vicinaux) (No. 18).
15. Any other expense which by any law is placed on commune (No. 20).
16. Salary of superintendent and agents for collection of octrois (No. 5).
17. Pensions which the municipal authority may have voluntarily undertaken (No. 7).
18. Expenses of committees of workmen and employers for regulation of trade conditions (No. 15).
19. Provision for debts incurred.

APPENDIX B.

BELGIUM.

Obligatory Expenditure of Provinces.

The provincial authorities must as a first charge on their revenues meet the following items of expense which are indicated, but not limited, by the Provincial Law (April 30th, 1836) and subsequent laws:—

1. Current expenses of assize courts, courts of first instance, trade courts and police courts.
2. Upkeep of civil and military lock-ups of the province.
3. Salaries and expenses of employees on provincial roads.
4. Upkeep of provincial roads.
5. Expenses of establishment and maintenance of jury and electoral lists.
6. Expenses of cathedral churches, episcopal palaces, diocesan seminaries, where ecclesiastical funds are insufficient.
7. Rent and maintenance of buildings necessary for provincial administration.
8. Renewal of furniture and equipment of same.
9. Part costs of census taking.
10. Provincial debts.
11. Pensions accorded by province to any old employees.
12. Whole expenses of treatment of lunatics from any necessitous area when the Provincial Assembly determines that the communes are unable to bear their share.
13. Expenses of printing and publication of provincial budgets, and regulations.
14. Expenses of provincial council and any indemnities granted.
15. Necessary assistance towards building and repairs of primary and secondary schools (Law of 1850), and provincial contributions to educational service if any commune has found its two-centime rate insufficient; one-fifth of teachers' pensions; one-fifth of pay of temporarily unemployed teachers (Law of 1884).
16. Expense of provincial share in contribution to maintenance

of foundlings, deserted children, and of lunatics and deaf mutes (province pays three-eighths) (Law of 1876).

17. Barracks provision for gendarmerie (Decree, November 28th, 1814).

The communes of Belgium are, in accordance with the Municipal Law of 1836 (Article 131), bound first to meet the following items of expense:[1]—

1. Expense of maintaining all civil registers.
2. Subscription for "Bulletin des Lois" and "Memorial Administratif," containing official instructions, regulations, laws, etc.
3. State taxes on communal property bringing in revenue.
4. Provision for service of debt (interest and sinking fund).
5. Salaries of burgomaster, echevins, secretary, treasurer, employees of council, police commissioners and constables, rural police.
6. Administration expenses of communal authority.
7. Upkeep or rent of municipal buildings.
8. Upkeep or rent of tribunals of justices of the peace.
9. Necessary expenses of churches, when ecclesiastical funds are insufficient.
10. The compulsory levying of a two-centime rate for education (primary), and the payment of one-third of the expenses of middle and secondary schools. (The State maintains alone the expense of "superior" schools.)
11. Payment of officers of public health.
12. Expenses of the civic guard.
13. Indemnities for lodgings of clerics.
14. Election expenses of commune.
15. Pensions granted to old employees.
16. Part maintenance and treatment of indigent lunatics (some costs on provinces and on State).
17. Part maintenance and instruction of blind and deaf mutes (some costs on provinces and on State).
18. Part maintenance and instruction of foundlings.
19. Cost of communal roads and chemins vicinaux.
20. One-third of expenses of chambers of commerce.
21. Expenses of joint committees of employers and employed for settlement of trade conditions.

[1] "Le conseil communal est tenu de porter annuellement au budget des depenses toutes celles que les lois mettent à la charge de la commune, et specialement les suivantes . . ." (Nos. 1—21). Art 131, Communal Law of 1836.

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STATISTICAL TABLES.

ENGLAND.

TABLE I.—DETAILS OF CHARGES TRANSFERRED AT DIFFERENT TIMES FROM LOCAL TO IMPERIAL FUNDS, AND OTHER STATE AID TO EXPENDITURE DEEMED TO BE OF A LOCAL CHARACTER.
(Compiled from C 9528 (1899) and 258 (1908)).

(The charges against which there is set an asterisk are charges which were transferred from the Exchequer to the Local Taxation Accounts under Mr. Goschen's proposals.)

I.—*Out of General Revenues paid to the Exchequer, and Charged on Votes.*

	1842–3.	1852–3.	1872–3.	1875–6.	1885–6.	1891–2.	1895–6.	1903–4.	1906–7.	1907–8.
	£	£	£	£	£	£	£	£	£	£
Metropolitan Fire Brigade	—	—	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Rates on Government Property	15,628	18,186	63,236	132,714	177,019	187,032	343,709	478,920	536,438	542,463
Rates on Telegraph Wires, etc.	—	—	—	—	—	—	—	4,926	5,471	5,206
Rates on Houses occupied by Representatives of Foreign Powers	—	—	—	—	—	—	—	3,989	4,500	5,188
Disturnpiked and Main Roads	—	—	—	—	229,490	*				
Poor Law Unions:—										
Salaries of Teachers in Poor Law Schools	—	104,846	161,002	34,405	37,640	*				
Part Salaries of Poor Law Medical Officers				129,341	147,241	*				
Part Salaries of Medical Officers and Sanitary Inspectors	—	—	—	57,536	71,321	*				
Auditors' Salaries, Expenses and Superannuation	—	13,391	18,253	21,014	16,971	15,587	9,860	11,329	21,596	23,358
Public Vaccination and Supply of Lymph	—	—	4,623	16,825	18,734	1,248	981	3,271	2,311	2,156
Pauper Lunatics	—	—	—	337,126	478,341	83	141			
Pauper Lunatics (Criminal Lunatics Act, 1884)	—	—	—	—	11,159	8,022	7,291	5,445	4,585	4,390
Registrars of Births and Deaths	—	—	—	6,382	9,550	*				
Criminal Prosecutions:—										
Repayments to Counties and Boroughs	130,117	237,061	120,406	139,272	135,535	*				
Clerks of Assize	—	—	19,606	19,772	20,645	17,397	17,573	16,313	16,473	16,184
Central Criminal Court	—	—	4,004	4,167	5,075	*				
London Sessions (Old Middlesex Sessions)	—	—	766	756	851	1,454	1,344			
Clerks of the Peace, etc., Compensations	—	—	5,434	4,547	1,808	198	193			
Metropolitan Police:—										
Contribution in aid	98,567	101,165	223,562	398,704	545,329	*				
Salaries and Pensions of Commissioner and Receiver						5,969	5,300	5,929	5,929	5,965
Police: Counties and Boroughs	—	—	278,971	675,721	839,395	*				
Prisons, Reformatories, etc.:—										
Maintenance of prisoners in County and Borough gaols	—	93,574	92,728	90,226						
Prisons transferred (40 & 41 Vict. c. 21)	—	—	—	—	394,148	390,693	415,282	541,335	568,972	576,734
Prison Officers' Pensions Commutation Annuities	—	—	—	—	—	—	—	33,289	36,084	38,095
Stationery	—	—	—	—	4,664	9,461	5,609	5,900	6,000	6,420
Maintenance of Children in Reformatory Schools	—	—	64,386	64,991	63,820	57,588	58,042			

Maintenance of Children in Industrial Schools	—	—	76,038	88,304	123,524	136,556	133,508	178,164	165,532	179,990
Youthful Offenders (contribution to cost of maintenance) (1 Edw. 7, c. 20)	—	—	—	—	—	—	—	—	—	145
Removal of Convicts from County Prisons	—	—	2,987	4,003						
Inebriate Reformatories (contribution under 61 & 62 Vict. c. 60)	—	—	—	—	—	—	—	14,890	25,640	26,136
Grants to School Boards under 33 & 34 Vict. c. 75, s. 97	—	—	—	385	4,352	8,395	26,507			
Repair of Berwick Bridge	90	90	90	90	90	90	90	90	90	90
Registration of Voters	—	—	—	—	42,277					
Diseases of Animals (Grants in aid under 53 & 54 Vict. c. 14, and 57 & 58 Vict. c. 57)	—	—	—	—	—	13,200	22,000	33,440	33,524	36,168
Total (England and Wales) out of Exchequer Revenue	244,402	568,313	1,146,092	2,236,281	3,388,999	987,807	1,057,148	1,347,230	1,443,145	1,478,688

II.—*Charged on Consolidated Fund (or out of Assigned Revenues paid to the Local Taxation Accounts)*[1].

Payments to Local Taxation Accounts under section 17 of Finance Act, 1907, in respect of the proceeds of the following duties:—										
Customs—										
Surtax on Beer and Spirits	—	—	—	—	—	169,770	162,793	162,482	147,766	144,814
Excise—										
Surtax on Beer and Spirits	—	—	—	—	—	955,851	953,746	1,038,847	987,881	972,767
Licences	—	—	—	—	—	3,062,304	3,188,448	3,710,466	3,737,678	3,738,870
Share of Probate Duty in relief of rates generally	—	—	—	—	—	2,238,935	1,952,034			
Estate, etc. Duties—										
Under the Finance Act, 1894:										
In relief of rates generally	—	—	—	—	—	—	—	2,023,448	2,404,438	2,242,395
In relief of rates on Tithe Rent charges attached to benefices (62 & 63 Vict. c. 17)	—	—	—	—	—	—	—	128,153	136,828	134,108
Under the Agricultural Rates Act and consequential Acts	—	—	—	—	—	—	—	1,328,172	1,325,976	1,326,388
Total (England and Wales) charged on Consolidated Fund	—	—	—	—	—	6,426,860	6,257,021	8,391,568	8,740,567	8,559,342
Add total charged on votes	—	—	—	—	—	987,807	1,057,148	1,347,230	1,443,145	1,478,688
Grand Total (England and Wales)	244,402	568,313	1,146,092	2,236,281	3,388,999	7,414,667	7,314,169	9,738,798	10,183,712	10,038,030

[1] Prior to 1907–8 the duties which were assigned by various Acts to local purposes were paid direct to the Local Taxation Accounts, etc. In 1907–8, under the provisions of the Finance Act, 1907, they were paid into the Exchequer, and the equivalent of the proceeds of such duties were charged on the Consolidated Fund.

TABLE II.—SHOWING THE AMOUNTS RAISED RESPECTIVELY BY LOCAL AUTHORITIES AND PARLIAMENT FOR LOCAL PURPOSES AT DIFFERENT PERIODS (ELEMENTARY EDUCATION EXCLUDED). (Compiled from C. 9528 (1899) and Local Taxation Returns.

England and Wales.

Year.	Taxation raised for Local Purposes by Local Authorities.			Taxation raised for Local Purposes by Parliament.	Proportions per cent.			
	Rates.	Tolls, Dues, etc.	Total.		Total Taxation raised for Local Purposes by Local Authorities.	Taxation raised for Local Purposes by Parliament.	Rates only.	Taxation raised for Local Purposes by Parliament.
	£	£	£	£				
1842–3	8,847,000	2,535,000	11,382,000	244,000	98	2	97	3
1852–3	9,917,000	2,535,000	12,452,000	568,000	96	4	95	5
1872–3	18,572,000	4,385,000	22,957,000	1,146,000	95	5	94	6
1875–6	22,477,000	4,836,000	27,313,000	2,236,000	92	8	91	9
1885–6	26,162,000	5,157,000	31,319,000	3,389,000	90	10	89	11
1891–2	28,509,000	5,456,000	33,965,000	7,415,000	82	18	79	21
1893–4	32,229,000	4,981,000	37,210,000	7,314,000	84	16	82	18
1903–4	52,941,665	4,541,158	57,482,823	15,613,892				
1904–5	56,047,715	4,591,150	60,638,865	19,597,040				
1905–6	58,255,544	4,686,230	62,941,774	19,849,983				

The figures of amounts raised by Parliament since 1903 contain grants made for Elementary Education: 1903–4, £6,802,146; 1904–5, £9,969,375; 1905–6, £10,690,280.

TABLE III.—SHOWING EXPENDITURE ON ELEMENTARY EDUCATION IN THE PERIOD 1871—1895, AND SOURCES FROM WHICH IT WAS MET. (See Board of Education Special Reports, Vol. I., p. 32.)

	Paid from Rates.	Voluntary Subscriptions and Endowments for Maintenance of Schools and Training Colleges.	Fees of Scholars and Students.	School Board Loans.	Estimated Annual Amount of Voluntary Subscriptions for Building of Voluntary Schools.	State Expenditure (Educational Department and South Kensington).	Percentage which Fell on		Year.
							Central Funds of State.	Other Sources of Revenue.	
	£	£	£	£	£	£			
In 1871 .	71,184	509,262	546,421	600	441,201	927,524	37·16	62·84	1871
,, 1872 .	162,491	581,014	607,692	63,487	441,201	1,117,878			
,, 1875 .	588,845	799,387	948,120	1,435,089	441,201	1,496,471			
							25·89	74·11	1876
,, 1880 .	1,579,752	905,612	1,452,792	1,090,258	441,201	2,529,572			
							31·93	68·07	1881
,, 1885 .	2,354,006	933,959	1,818,579	1,198,364	441,201	3,285,227			
							35·08	64·92	1886
,, 1890 .	2,968,096	945,114	1,969,032	377,397	441,201	3,741,351			
							36·41	63·59	1891
,, 1895 .	3,987,790	1,000,993	342,900	1,869,362	441,201	6,963,279	47·68	52·32	1895
Total for period	19,567,066	21,892,146	32,283,715	24,376,418	11,030,027	79,895,762			

TABLE IV.—SHOWING EXPENDITURE ON ELEMENTARY EDUCATION MET BY GOVERNMENT GRANTS AND RATES SINCE 1905. (L.C.C. Return, No. 1217, App., p. 7.)

	Rates.	Grants.	Proportion of Grants.	Proportion of Rates.
	£	£		
1905–6	9,229,952	10,830,511	54·2	45·8
1906–7	10,219,729	11,091,867	52	48
1907–8	10,443,818	10,854,889	51	49
1908–9 (estimated)	11,121,592	10,879,581	49·4	50·6

TABLE V.—SHOWING HOW THE EXPENDITURE OF LOCAL AUTHORITIES (EXCLUDING THAT FROM LOANS) WAS MET IN 1868 AND 1891 AND IN SOME LATER YEARS. (From Cd. 168 of 1893.)

Item of Receipt.	Amount.	
	1868.	1891.
	£	£
Rates	16,500,000	27,818,000
Tolls, dues, &c.	3,652,000	3,474,000
Treasury subventions	951,000	7,186,000
Sales or rents of property	1,028,000	1,741,000
Gas and water rates and revenues	—	6,836,000
Miscellaneous receipts	2,609,000	3,607,000
Totals	24,740,000	50,662,000

FOR LATER YEARS (INCLUDING LOANS), (From Local Taxation Returns, 1909.)

Item of Receipt.	1902.	Latest year, (1905—6).
	£	£
Public rates	50,328,412	58,255,544
Exchequer contributions of all kinds	12,782,803	19,849,983
Tolls and dues (including harbours and markets)	4,454,111	4,686,230
Fees, fines, and penalties	988,266	1,200,237
Municipal enterprises (gas, water, electricity, tramways)	17,056,335	20,298,691
Cemeteries, baths, museums, asylums, etc.	1,198,908	1,497,548
Private improvement, rates, etc.	1,850,845	1,751,570
Rents, etc.	2,412,144	2,925,964
Sales of property	473,035	414,311
Other receipts	2,390,558	2,837,898
Total ordinary receipts	93,935,417	113,717,976
Loans	35,271,367	24,485,932
Total receipts	129,206,784	138,203,908

TABLE VI.—SHOWING OUTSTANDING LOANS OF LOCAL AUTHORITIES IN ENGLAND AND WALES AT CERTAIN DATES.

From Cd. 168 (1893) and Local Taxation Returns, 1909, and Statistical Abstracts.

Outstanding Loans in

Year.	£
1868	60,000,000 (estimated by Mr. Goschen).
1884	173,207,968
1900	293,864,224
1905	420,515,712 + £45,943,557 for Metropolitan Water Board
1906	435,545,077 + £47,438,852 ,, ,,

The purposes of the marked increase of the past two decades may be shown by amounts outstanding for:—

In	Baths, Cemeteries, Electric Supply, Gasworks, Harbours, Piers, Docks, Quays, Bridges, Markets, Tramways, Waterworks.	Other Purposes.	Total.
	£	£	£
1894–5	106,484,506	128,850,543	235,335,049
1899–00	135,322,296	158,541,928	293,864,224
1904–5	246,793,385	219,665,884	466,459,269
1905–6 (latest year)	256,330,053	226,653,876	482,983,929

The Assets of the Local Loans Fund were:—

	In 1895.	In 1900.	In 1905.	In 1909.
	£	£	£	£
Of 3 per cent. stock	—	40,408,768	70,355,296	71,058,813
,, Bonds	—	7,700,000	1,500,000	
,, temporary advances	—	780 000		
Total	40,953,768	48,888,768	71,855,296	71,058,813

Total of Loans for Local Works since 1792 (brought up to date), Repaid, Remitted, and Outstanding.

On 31st March of	Advances to Borrowers.	Principal Repaid by Borrowers.	Principal Remitted.	Principal Outstanding against Borrowers.	
				Written off from Accounts of Assets of the Local Loans Fund.	Other Sums Outstanding.
	£	£	£	£	£
1895	128,116,957	75,090,441	12,150,607	706,596	40,169,313
1900	146,425,908	84,598,902	12,313,541	626,932	48,886,533
1905	179,489,402	97,793,417	12,416,465	571,974	68,707,546
1909	191,039,361	110,284,941	12,452,804	537,595	67,764,021

Distribution of Debt.

	1901-2.	1904-5.	1906-7.
Urban:—	£	£	
Metropolitan	62,962,249	117,160,521	125,681,209
Extra Metropolitan	250,411,695	314,748,872	331,160,312
Urban and Rural	26,101,800	29,285,457	31,737,275
Rural	3,940,838	5,264,419	5,908,716
Total	343,416,582	466,459,269	494,487,512

FRANCE.

TABLE I.—(*a*) SHOWING HOW THE FRENCH DIRECT CONTRIBUTIONS WERE SHARED BETWEEN THE CENTRAL AND LOCAL AUTHORITIES IN THE PERIOD 1838—1906.

	To State.	To Departments.	To Communes.	
	Principal of Four Direct Contributions less 8 per cent of Patentes granted to Communes.	Departmental Centimes Additional.	Communal Centimes Additional, plus 8 per cent. of Patentes.	Total.
	Francs.	Francs.	Francs.	Francs.
1838	293,037,100	60,607,541	32,873,600	386,518,241
1860	303,812,989	102,537,541	73,575,809	479,926,539
1885	405,771,831	174,206,993	175,525,869	755,504,693
1900	474,595,000	194,284,000	212,928,000	881,807,000
1906	522,982,323 (53 per cent.)	214,164,191 (22 per cent.)	245,433,401 (25 per cent.)	982,579,916

(*b*) AND OF THE FOUR CONTRIBUTIONS SEPARATELY FOR SAME YEARS.
(S = State. D = Departments. C = Communes.)
In francs (000's omitted).

		Contribution Foncière.	Cont. Pers.-Mob.	Cont. des P. et Fen.	Cont. des Patentes.
1838	S	192,891	42,593	26,556	30,996
	D	46,894	9,314	1,954	2,444
	C	23,978	4,038	1,174	3,682
1860	S	167,167	46,005	33,800	56,839
	D	70,940	16,510	5,153	9,933
	C	46,126	8,757	5,335	13,356
1885	S	181,397	70,259	47,202	106,913
	D	102,295	32,857	12,730	26,322
	C	89,785	28,961	18,090	38,680
1900	S	181,866	95,127	60,407	137,195
	D	110,402	40,723	14,897	28,262
	C	109,237	39,525	23,503	40,663
1906	S	209,326	101,398	65,508	138,023
	D	119,636	44,889	17,557	32,083
	C	122,055	45,168	27,954	57,904

TABLE II.—SHOWING INCOME OF FRENCH DEPARTMENTS IN FRANCS (000's OMITTED).

Sources of Income.	1887.	1891.	1895.	1897.	1900.	1901.	1902.	1903.
I. TAXATION—								
Centimes additionnels—								
Ordinary for: Roads	25,511	26,299	27,028	27,425	28,171	40,435	40,744	40,833
Ordinary for: Elementary education	14,577	—	—	—	—	—	—	—
Ordinary for: Assessment (cadastre)	61	62	26	26	38	49	50	51
Ordinary for: Other purposes	64,187	66,020	67,539	68,397	69,789	98,550	99,323	98,968
Extraordinary: According to Finance Act	35,692	36,692	37,686	38,139	39,052	33,290	33,770	34,406
Extraordinary: ,, Special laws or decrees	35,463	36,288	44,617	47,072	52,167	22,734	25,119	27,530
Total income from taxation	175,493	165,364	176,898	181,061	189,220	195,060	199,009	201,790
II. SUBVENTIONS AND CONTRIBUTIONS—								
(*a*) of State, communes and private persons for roads	30,952	30,413	29,743	29,941	29,576	29,944	30,789	30,457
(*b*) other subventions and contributions for ordinary expenses—from the State	6,189	9,967	14,111	14,818	16,991	17,879	17,748	18,549
,, ,, communes	10,114	10,594	15,678	18,543	20,589	21,267	21,678	23,058
,, private persons	3,249	3,022	3,241	3,348	3,690	4,004	4,056	5,823
Total of subventions and special contributions	50,506	53,998	62,774	66,652	70,849	73,096	74,273	77,887
III. INCOME FROM PROPERTY	1,012	1,471	1,829	1,952	2,257	2,026	2,696	2,674
IV. GIFTS AND LEGACIES	173	263	536	564	36	661	1,416	1,198
V. VARIOUS CASUAL RECEIPTS	7,033	5,384	6,242	6,387	7,060	11,417	7,731	9,109
VI. SALES OF DEPARTMENTAL PROPERTY	574	588	244	1,239	2,321	2,078	1,085	1,348
VII. LOANS	38,665	30,776	25,001	28,021	45,072	50,137	48,082	56,985
Grand total	273,460	257,846	273,527	285,879	316,818	334,478	334,295	350,995

TABLE III.—SHOWING THE EXPENDITURE OF THE FRENCH DEPARTMENTS, 1877 TO 1903 (IN FRANCS, 000's OMITTED).
Compiled from Say: "Dict des Fin." I., p. 478; "Ann. Statistique" for 1900, and "Le Budget Départemental," by Dubois.

	1877.	1885.	1895.	1900.	1902.	1903.
(1) Personnel of Prefectures and Sub-prefectures—Pensions for staff; assistance; official journals, etc.	—	3,086	4,562	5,212	6,080	5,776
(2) Departmental property—Maintenance and big repairs	—	5,024	5,383	5,197	5,402	5,436
Acquisitions, constructions, etc.	9,991	13,479	6,033	6,563	7,162	6,277
(3) Buildings hired—Rents	—	4,428	4,409	4,451	4,312	4,293
Repairs	—	—	—	—	22	19
(4) Furniture—Maintenance	—	600	662	612	598	644
Acquisition	—	425	405	603	357	316
(5) Roads—Departmental roads—Maintenance, personnel, and general expenses	19,761	23,251	13,735	11,994	10,943	11,821
Departmental roads—Constructions and extensions	—	—	—	—	726	
District roads (chemins vicinaux)	62,596	106,029	97,676	98,471	102,603	102,526
Light railways and departmental tramways; expenses of establishment and expenses of control	—	5,320	17,136	25,728	29,388	38,017
(6) Public instruction	1,965	18,231	4,501	4,458	4·956	5,169
(7) „ worship	224	85	72	65	63	58
(8) „ assistance—Lunatics	14,633	20,278	24,638	26,486	27,186	28,614
Children assisted (ill-treated and deserted)	11,402	17,725	28,886	30,981	29,992	30,578
„ of tender age	—	—	—	—	2,185	2,058
Free medical assistance	—	—	2,974	9,234	9,710	10,411
Annual pensions to aged and infirm	—	—	—	968	1,105	1,378
Assistance, vaccination, deaf mutes, blind, etc.	3,782	6,371	9,052	10,313	11,789	12,319
(9) Encouragement of science, literature and art	987	1,341	1,579	1,356	1,493	1,521
Agriculture, commerce and industry	2,200	3,569	5,337	6,001	6,120	5,931
(10) Cadastre (assessment)	30	159	67	81	105	88
(11) Service of debt	1,797	27,601	33,559	47,268	47,214	52,718
(12) Subventions to enterprises of general interest (seaports, canals, railways, telephones, etc.	—	—	—	—	13,476	14,798
(13) Various expenses	6,678	9,590	6,731	8,059	9,890	11,098
Total expenditure (ordinary)	136,053	266,592	267,397	304,101	332,891	351,878
„ „ (extraordinary)	78,536	—	—	—	—	—

TABLE IV.—SHOWING RECEIPTS OF FRENCH COMMUNES FROM TAXATION IN CERTAIN YEARS.

Item of Receipts.	Amounts in Francs (000's omitted).			
From	1877.	Percentage of Total.	1891.	Percentage of Total.
Centimes additionnels (ordinary and extraordinary) . .	138,254	25	170,320	27
Parts of State taxes handed over to communes . .	10,528	2	7,250	1
Octrois	252,124	46	288,777	46
Road taxes (prestations vicinales)	54,870	10	60,000	10
Various taxes and special payments	94,320	17	107,000	16
Total	550,098 = 82 per cent. of ordinary receipts and 14 fr. 92 c. per head of population.		633,347 = 82 per cent. of ordinary receipts and 15 fr. 30 c. per head of population.	

TABLE V.—SHOWING "OCTROI" RECEIPTS IN COMMUNES OF FRANCE.

(Compiled from "Annuaire Statistique": France, 1907, p. 149.)

Year.	No. of Communes.	Population of Octroi Areas.	Net Receipts in Francs (000's omitted).	Cost of Collection. in Francs (000's omitted).	Annual Tax per Head of Population in Areas.	Cost of Collection per 100 frs. of Gross Yield.
					fr. c.	fr. c.
1833	1,448	6,306,378	59,693	6,244	10 46	9 80
1853	1,435	7,329,782	86,764	9,669	13 05	10 20
1887	1,525	12,300,573	258,027	24,685	22 97	8 73
1896	1,513	12,904,760	296,857	29,286	25 27	8 98
1906	1,509	14,198,389	255,850	31,443	20 23	10 94

TABLE VI. (A).—THE "PRESTATIONS" IN FRANCE.

Table showing the assessments and yield of the tax in various years.

(Compiled from Leon Say, "Dict. des Fin.," II., 997 *sq.*, and Leroy Beaulieu, "Traité," pp. 795 *sq.*)

Year.	Produce of the Tax in Francs.	Paid in Money.	Per-centage.	Paid in Labour.	Per-centage.
1837 . .	25,687,492	6,300,000	19	19,387,492	81
1840 . .	28,259,245				
1852 to 1856 average	37,742,953	—	24 39	— —	76 61
1862 to 1866 average	50,313,779	—	40	—	60
1869 . .	55,483,370	—			
1880 . .	60,433,073	—			
1888 . .	60,065,806	21,374,000	—	38,691,806	
1890 . .	59,545,349	—	38	—	62
1891 . .	59,551,319				
1906 . .	60,134,428				

TABLE VI. (B).—SHOWING DIVISION OF THE PRESTATIONS BETWEEN THE DIFFERENT CATEGORIES OF DISTRICT ROADS IN 1888.

	Paid in Money (francs).	Paid in Labour by		Total by Service.	General Total.
		Day.	Task.		
Chemins de grande communication .	Francs. 8,281,753	Francs. 4,305,189	Francs. 6,342,454	Francs. 10,647,643	Francs. 18,929,396
Chemins d'interêt communication . .	3,549,455	3,682,355	3,619,232	7,301,587	10,851,042
Chemins vicinaux ordinaires	7,682,441	11,900,014	8,535,483	20,435,497	28,117,938
	19,513,649	19,887,558	18,497,169	38,384,727	57,898,376

TABLE VI. (C).—SHOWING GENERAL ASSESSMENT OF THE PRESTATIONS (IN ROUND NUMBERS).

Levied on	Rate per Day (varies).	Number Assessed.	Product of Tax.	Totals.
			Million francs.	
Men . . .	1 to 3 frs.	5,360,000	26	26
Horses . .	50 c. to 4 frs.	2,300,000	16	
Oxen . . .	50 c. to 3 frs.	1,560,000	5	
Ploughs . .	40 c. to 3 frs.	909,000	2	24
Asses . .	25 c. to 1 fr. 50	228,000	½	
Mules . .	50 c. to 4 frs.	68,500	½	
2-wheeled carts .	20 c. to 3 frs.	2,238,000	7	8
4-wheeled carts .	40 c. to 4 frs.	353,000	1	
			58	58

TABLE VII.—THE FOLLOWING TABLE SHOWS THE GENERAL SCHEME OF THE FRENCH ROAD SYSTEM, AND SOME PARTICULARS OF ITS GROWTH, AND FINANCIAL ARRANGEMENTS.

Year.	La Grande Voirie.		La Petite Voirie.			
	National Roads at Charge of *State.*	Departmental Roads at Charge of *Departments.*	Chemins Vicinaux de Grande Communication.	Chemins Vicinaux d'interêt commun.	Chemins Vicinaux Ordinaires.	Chemins Ruraux.
			Expenses Shared by *Departments and Communes.*		Expense Borne by *Communes* with Loans and Occasional Grants from the State.	
	Length in Kilometres.					
1840	34,200					
1850	35,600					
1860	36,800					
1870	38,300		79,708	61,845	186,421	
1880	37,323	40,000	102,815	70,843	243,317	
1892	37,835	22,831	141,370	75,970	261,147	
1900	38,065	17,739	162,046	76,331	276,231	
1904	38,170	14,564	167,152	78,877	277,193	
1907	38,193	14,564	172,070	71,412	281,690	
	Cost in 1905 in francs, 30,251,105	Cost in 1904 in francs, 10,769,943	Cost in 1904 in francs, 62,084,950	Cost in 1904 in francs, 31,141,605	Not known.	Not known.

The total expenditure in 1905 was thus incurred:—

	Francs.	
I. NATIONAL ROADS—		
Maintenance	26,118,770	30,251,105
Ordinary repairs	2,586,197	
Extraordinary repairs and new works	1,546,138	
II. DEPARTMENTAL ROADS—		
Maintenance	7,162,616	10,769,943
Improvements and prolongations	2,865,008	
Salaries of departmental road officers	742,319	
III. VICINAL ROADS—(Not including the chemins vicinaux ordinaires), Upkeep (in money or service) (excluding new works)—		
Chemins de grande communication	62,084,950	93,226,555
Chemins d'intérêt commun	21,371,550	
Salaries	9,770,055	

TABLE VIII.—SHOWING THE FINANCIAL CONDITION OF THE DEPARTMENTS AND COMMUNES IN FRANCE IN CERTAIN YEARS (IN FRANCS).

(Compiled from "Annuaire Statistique," 1900 and 1907, and "Bulletin de Stat." May, 1906.)

Departments (87).

Year.	Receipts.	Expenditure.	Debt.
1869	200,451,418	180,117,072	
1877	259,141,877	214,589,861	
1885	300,517,769	256,252,521	465,462,340
1900	342,868,367	287,625,533	478,242,285
1903	350,995,424	351,878,445	569,238,522
1904	353,042,710	355,463,168	602,290,386

Communes (36,216 in 1906).

Year.	Receipts (ordinary).	Expenditure (ordinary).	Debt.
1860	413,353,042	322,448,325	
1868	505,011,225	400,817,817	
1877	624,855,048	553,480,216	2,745,754,306
1885	733,538,853	746,220,570	3,020,450,528
1900	794,120,672	761,164,105	3,881,352,204
1903	815,485,482	784,575,915	3,834,103,182
1904	827,760,323	795,390,645	3,831,404,979
1905	846,983,405 (of which Paris took 330,910,269)	815,963,974 (including Paris, which spent 330,910,269)	3,992,299,671 (of which Paris debt was 2,425,072,293)
1906	879,300,466	838,398,942	4,082,010,198
1907	896,482,313	865,949,527	4,060,007,024

The total communal debts in France were, in—

Year.	Paris Alone.	Other Communes.	Total.	Per Head of Population Generally.	Per Head of Population, without Paris.
1862	342,560,273	346,428,560	688,988,833	18·30	9·50
1868	1,475,799,082	573,749,892	2,049,548,974	53·80	15·80
1877	1,988,276,523	757,477,783	2,745,754,306	74·40	21·70
1890	1,872,336,971	1,351,751,861	3,224,083,832	84·30	37·60
1900	2,357,187,661	1,491,785,817	3,848,973,478	100·38	41·66
1902	2,297,698,891	1,536,404,291	3,834,103,182	98·41	42·39
1904	2,425,072,293	1,567,227,378	3,992,299,671		
1907	—	—	4,060,007,024		

(Compiled from "Bulletin de Stat." for May, 1906, p. 501, and "Annuaire Statistique de la France," for 1901, p. 573, and "Annuaire Statistique" for 1908, p. 147.)

TABLE IX.—SHOWING HOW THE TOTAL EXPENDITURE ON PRIMARY EDUCATION WAS SHARED BY THE STATE, THE DEPARTMENTS, AND THE COMMUNES.

(Compiled from "Annuaire Statistique," France, 1909, p. 525.)

Year	Expenses of Communes.	Expenses of Departments.	Expenses of State.	Total Expenditure.
	Francs.	Francs.	Francs.	Francs.
1870	41,823,077	9,258,506	10,559,309	61,640,892
1880	57,315,278	19,573,515	31,296,620	108,185,414
1889	71,956,078	17,907,315	86,061,506	175,924,900
1890	56,580,247	„ [1]	120,561,862	177,142,110
1895	66,905,607	„	136,396,255	203,301,862
1901	77,424,967	„	156,097,575	233,522,542
1902	79,923,647 (latest year given)		157,791,213 (latest year given) 193,440,669	237,714,860

Population of France in	1838	33,790,000
„ „ „ „	1877	37,000,000
„ „ „ „	1900	38,900,000
„ „ England in	1832	14,164,000
„ „ „ „	1838	15,287,699
„ „ „ „	1877	24,699,539
„ „ „ „	1900	32,527,843
„ „ Belgium in	1830	4,076,513
„ „ „ „	1880	5,520,009
„ „ „ „	1907	7,317,561
„ „ Prussia in	1831	13,038,960
„ „ „ „	1857	17,127,159
„ „ „ „	1877	26,357,086
„ „ „ „	1900	34,472,509
„ „ „ „	1905	37,293,324

[1] To these figures must be added the departmental payments for teachers' training, etc., which since 1890 have averaged about five million francs.; see Table III.

TABLE X. (OLD AGE PENSIONS).—SCHEDULE TO LAW OF 1905, SHOWING PROPORTIONS OF CONTRIBUTIONS TO EXPENDITURE BY STATE, DEPARTMENTS, AND COMMUNES.

A.

Value of Communal Centime According to Population.	Proportion of Expense Payable.	
	By the Commune out of Proceeds of Communal Taxes.	By the Department out of Departmental Taxes and State Subvention as per Table B.
Francs.	Per cent.	Per cent.
Under 0·06	10	90
From 0·061 to 0·08	15	85
„ 0·081 „ 0·10	20	80
„ 0·101 „ 0·12	25	75
„ 0·121 „ 0·14	30	70
„ 0·141 „ 0·16	40	60
„ 0·161 „ 0·18	50	50
„ 0·181 „ 0·20	60	40
Above 0·20	70	30

B.

Value of Departmental Centime According to Every 100 of Population.	Proportion of Expense Payable.	
	By the Department from its Own Revenue Funds.	By the State.
Francs.	Per cent.	Per cent.
5 and under	5	95
From 5·01 to 6	8	92
„ 6·01 „ 7	11	89
„ 7·01 „ 8	14	86
„ 8·01 „ 9	17	83
„ 9·01 „ 10	20	80
„ 10·01 „ 11	25	75
„ 11·01 „ 12	30	70
„ 12·01 „ 15	35	65
„ 15·01 „ 18	40	60
Above 18	50	50

C.

When, in a commune, the number of pensioners is greater than 10 per 1,000 inhabitants (10°/₀₀), the State will grant, directly and additionally, the following rates of subvention towards the supplementary expense, provided that the communal charge does not fall short of 10 per cent of the total expense (as per Table A.), Thus:—

Number of Pensioners in Excess of the 10°/₀₀ rates.	Number of Pensioners in Excess of the 10°/₀₀ rates.	Percentage of the Additional Communal Expense borne by the State.	Percentage of the Additional Communal Expense borne by the State.
1	regularly to	10	regularly to
2	10	11	19
3	above 10	12	20

BELGIUM.

TABLE I.—PROVINCIAL INCOME AND EXPENDITURE (1850—1905.)

(Compiled from "Ann. Stat. de Belg.," 1907, pp. 276, etc.)

The proportions of the various constituents of the provincial revenues and expenses for the whole kingdom (nine provinces) may be seen from the tables below.

Income.

Item of Receipt.	Amounts in Francs (000's omitted).				
	1850.	1870.	1890.	1900.	1905.
Provincial additional centimes to State direct taxes	2,718	5,108	6,337	8,612	9,702
„ tax on dogs	305	704	1,342	1,842	2,070
„ licences for sale of tobacco and alcoholic drinks	—	100	1,817	1,550	1,714
„ gun licences	—	86	132	151	164
„ tax on velocipedes and automobiles	—	—	—	—	2,015
„ other taxes	279	149	183	3,415	2,474
Total provincial taxes	3,303	6,150	9,812	15,572	19,077
Per head of population	0 fr. 75 c.	1 fr. 21 c.	1 fr. 62 c.	2 fr. 33 c.	2 fr. 66 c.
Revenue from property	—	5	65	67	79
From loans	1,408	1,205	50	1,533	700
State subventions	282	227	375	277	317
Other receipts	829	678	1,055	1,587	3,904
Total receipts for year	5,824	8,267	11,359	18,978	24,079
Balances from previous years	977	943	1,704	2,394	2,909
General total of income	6,801	9,210	13,063	21,372	26,988

Expenditure.

Heads of Expense.	Amounts in Francs (000's omitted).				
	1850.	1870.	1890.	1900.	1905.
Courts, prisons, tribunals and gendarmerie	378	653	1,049	657	863
Public worship	265	703	400	552	461
Primary education and building of schools	595	1,764	2,630	3,163	4,373
Provincial roads	888	636	1,043	2,232	2,227
District roads	606	1,573	1,763	2,274	2,487
Light railways and tramways	—	—	90	466	1,523
Debt service	1,295	811	1,543	1,662	1,766
Public assistance / Various	889	1,465	2,789	7,372	2,103 / 8,848
Total expenditure for year	4,919	7,614	11,310	18,382	24,656
Outstanding debts, total	9,450	15,162	22,482	34,787	35,050

TABLE II.—SHOWING THE WORKING OF THE "FONDS COMMUNAL" IN BELGIUM.

(Compiled from "Budget des Voies et Moyens pour l'exercice," 1905.)

Deductions from Customs in favour of Communes in 1905 Budget.

		Francs.
35 per cent. of total of	customs duties on beer	245,000
21·82 "	" " brandies	524,000
35 "	" " sugar	82,250
35 "	" " vinegar and acetic acids	61,250
35 "	" " syrups and molasses	1,750
		914,250

Handed over to "fonds communal" created by Law of July 18th, 1860.

	Francs.
Also duties on cattle and fresh meat	2,000,000
" " other merchandise	910,993
	2,910,993

Handed over to similar additional fund specially created by Law of August 19th, 1889.

Deductions from Excise.

	Francs.			
35 per cent. of total of duties on wines (foreign)	2,975,000	to fonds communal of 1860.		
21·82 per cent. of total of duties on brandies (home)	13,226,000	"	"	"
35 per cent.[1] of total of duties on beer	7,175,000	"	"	"
35 per cent. of total of duties on vinegars	6,300	"	"	"
35 per cent. of total of duties on acids	12,950	"	"	"
35 per cent. of total of duties on acetic acid	54,950	"	"	"
35 per cent. of total of duties on beet and cane sugars	5,425,000	"	"	"
	28,875,200			
35 per cent. also of licences	3,800,000	to special fund.		
41 per cent.[2] also of net profits of postes	12,186,430	to fonds communal.		

Total Handed over to Communes.

	Francs.
From customs to fonds communal (1860)	914,250
" " " special (1889)	2,910,993
" excise to fonds communal (1860)	28,875,200
" " " special (1889)	3,800,000
" post service to fonds communal (1860)	12,186,430
Total handed over by central government in aid of funds of communes in 1905	48,686,87

1 These 35 per cent's. were, in 1860, fixed at 34 per cent.
2 This 41 per cent. was, in 1860, fixed at 40 per cent. They were raised to present per cent. in 1862.

Table III. (A).—Belgium: Primary Education.

The public provision of primary instruction has steadily progressed, as may be gathered from the following table, giving for the years 1843—1905 the sources from which school revenues have been derived (in francs).

	Surplus from Previous Years.	Scholars' Fees.	Endowments and Gifts.	Poor Relief Institutions.	Communes.	Provinces.	State.	Total.
1843	—	742,020	183,069	—	1,031,872	210,836	434,763	2,602,560
1850	79	776,257	308,527	—	1,567,834	533,980	1,219,772	4,406,449
1860	83,480	863,760	392,200	—	2,466,654	687,226	2,292,558	6,785,878
1870	236,459	1,431,828	516,291	—	5,555,581	2,708,721	5,724,691	15,173,571
1880	381,500	1,231,081	762,017	—	13,066,238	1,963,278	17,496,864	34,900,978
1890	453,239	1,389,114	716,045	—	12,774,437	1,733,161	11,832,681	28,898,677
1900	481,627	1,566,053	178,107	296,171	19,856,231	2,072,847	16,024,476	40,475,512
1905	457,976	1,754,691	214,515	247,869	22,771,565	2,426,891	18,899,166	46,772,673

Table III. (B).—Table showing the Division of Expenses on Primary Education in Belgium in 1904, and from what Sources the Expenditure was Covered (in francs).

Nature of Expenses.	Sources whence they were met.							
	Surplus from Previous Year.	Fees.	Gifts and Legacies.	Bureaux de Bienfaisance.	Communes.	Provinces.	State.	Total.
Administration and inspection	—	—	—	—	—	—	772,159	772,159
Training colleges	—	1,451,714	3,800	—	174,818	90,740	1,271,080	2,992,152
School buildings	—	—	6,000	—	3,644,903	908,443	1,500,000	6,059,346
Primary schools (communal and "adopted")	316,126	305,888	156,183	165,644	15,261,399	1,163,341	10,582,151	27,950,732
Crêches, etc.	59,446	30,217	34,573	48,727	2,145,477	67,614	748,355	3,134,409
Adult schools	41,077	366	2,300	4,821	780,904	123,854	492,985	1,446,307
Primary schools (subsidised: Church)	—	—	—	20,836	46,427	92,646	2,068,958	2,228,867
Private crêches (subsidised)	—	—	—	—	23,653	11,659	560,716	596,028
Adult schools (subsidised)	—	—	—	—	8,769	1,395	468,239	478,403
Prizes, etc.	—	—	6,145	26,246	418,775	10,535	27,304	489,005
Totals	416,649	1,788,185	209,001	266,274	22,505,125	2,470,227	18,491,947	46,147,408

TABLE IV.—SHOWING EXPENDITURE BY THE STATE ON VARIOUS SERVICES IN BELGIUM FOR VARIOUS YEARS.
(Compiled from "Annuaire Statistique de Belgique.")

Service.	Paid out of State Exchequer in Francs (000's omitted).					
	1840.	1850.	1870.	1890.	1900.	1905.
Roads and bridges	4,505	5,231	7,056	10,110	14,167	14,711
Science and letters	449	249	508	828	1,041	1,277
Art		285	794	1,695	2,084	2,266
Railways	3,077	9,099	24,591	80,597	136,390	148,348
Pension allowances for old age, etc.	—	—	—	—	—	16,009
Gendarmerie	1,419	1,737	2,232	4,024	6,660	7,309
Militia	21	51	73	137	145	167
Garde Civique		11	22	40	494	709
Education: Superior	679	648	1,064	1,687	2,258	2,541
Education: Secondary	133	280	1,221	3,853	4,378	4,616
Education: Primary	294	1,219	4,724	10,581	15,219	17,499
District roads and sanitary purposes	—	299	1,165	2,077	4,390	4,585
Expenses of justice	637	510	871	1,863	2,286	2,469
Public assistance institutions (reformatories, etc.)	358	534	678	819	4,944	5,693
Prisons	2,983	3,545	2,831	2,470	2,790	3,038
Police, etc.	25	80	286	90	179	193

TABLE V.—SHOWING THE GROWTH AND DIVISION OF EXPENDITURE ON STATE AND PROVINCIAL ROADS IN BELGIUM SINCE 1830.
(Compiled from various numbers of "Annuaire Statistique de Belgique."

	Total Length in					
	1830.	1860.	1880.	1890.	1900.	1906.
	Kms.	Kms.	Kms.	Kms.	Kms.	Kms.
State roads	2,593	4,547	6,731	7,307	7,664	7,846
Provincial roads	514	1,507	1,443	1,497	1,596	1,594
Conceded roads (in provincial control)[1]	133	620	351	232	103	96
Totals	3,240	6,674	8,525	9,036	9,263	9,536

	1840.	1863	1890.	1905.
Cost of State roads in francs, 000's omitted[2]	2,181 (ordinary) 2,594 (extraordinary)	4,602 1,537	10,117	14,711

	1850.	1880.	1893.	1904.
Cost of provincial roads	888	1,028	1,235	2,571

[1] Roads constructed by private individuals and charging tolls: "Routes construites par voie de concession de péages, qui doivent revenir à l'État après l'expiration du terme de la concession"; Bernimolin, "Inst. Prov. et Comm," p. 256.

[2] Compiled from "Stat. Gen. des Rec. et des Dep. du Royaume" (1840–90).

PRUSSIA.

TABLE I. (A).—SHOWING, IN 1857, THE CONTRIBUTIONS OF EVERY KIND IN PRUSSIA FOR PROVINCIAL, COMMUNAL, CHURCH, AND SCHOOL PURPOSES. See Cd. 470 (1870).

Population, 17,127,259.

Per cent.		Marks.	Per cent.
61·40	Contributions of every kind to miscellaneous communal purposes	44,849,001	
14·13	Church purposes	10,323,861	
24·47	School purposes	17,869,638	
100·00		73,042,500	= 85·34
	Contributions of every kind to provincial purposes . . .	5,825,454	= 6·81
	Contributions of every kind to "Kreis" district purposes. .	6,724,380	= 7·85
	Total local contributions .	85,592,334	
	Income of communes from property	25,886,178	
	Total debts of provinces, circles, and communes	94,504,605	
	Interest and repayments . .	4,949,871	
	Of the 73,042,500 marks of communal contributions of all kinds there was—		
	Borne by town communes .	29,472,852	= 40·35
	„ „ rural „ .	43,569,648	= 59·65

TABLE I. (B).—COMPARATIVE STATEMENT OF THE CONTRIBUTIONS OF ALL KINDS IN PRUSSIA TO PROVINCIAL, CIRCLE, COMMUNAL, AND TO CHURCH AND SCHOOL PURPOSES IN THE YEARS 1849, 1855, 1857, 1867. See Cd. 470 of 1870.

	1849.	Percentage of Total.	1855.	Percentage of Total.	1857.	Percentage of Total.	1867.	Percentage of Total.
Contributions of all kinds to Communal purposes—	Marks.		Marks.		Marks.		Marks.	
(1) To local communal purposes (police, etc.,	27,000,000	56·35	42,300,000	58·51	45,000,000	52·17	67,500,000	50
(2) To Church purposes }	15,000,000	31·25	20,700,000	28·63	10,500,000	12·18	13,500,000	9·79
(3) To school purposes }					18,000,000	20·87	36,000,000	26·08
	42,000,000	87·60	63,000,000	87·14	73,500,000	85·22	117,000,000	84·78
Contributions of all kinds to Circle (Kreis) purposes .	3,300,000	8·87	4,800,000	6·64	6,750,000	7·82	13,500,000	9·79
Provincial purposes .	2,700,000	5·63	4,500,000	6·62	6,000,000	6·96	7,500,000	5·43
Total contributions .	48,000,000		72,300,000		86,250,000		138,000,000	
Communal receipts from property, etc.	19,500,000		21,000,000		26,250,000		31,500,000	
Amount of debts of all local authorities	78,000,000		90,000,000		96,000,000		144,000,000	
Interest and amortisation .	6,000,000		5,400,000		5,760,000		8,640,000	
	No.		No.		No.		No.	
Population	16,285,000		17,127,000		17,127,000		19,592,000	
Contributions per head of population	3 marks.		Just over 4 marks.		5 marks.		7 marks.	

TABLE II. (A.—SHOWING INCOME AND EXPENDITURE OF THE TOWN AND COUNTRY COMMUNES IN 1883—4 (in marks, 000's omitted). See Schonberg's Handbuch, III. (2), 159.

	Town Communes (including Berlin). (Population 9,468,565).			Town Communes (excluding Berlin). (Population 8,346,235).			Country Communes. (Population 15,723,675).		
	Total Expenditure.	Extraordinary Expenditure.	Gross Income.	Total Expenditure.	Extraordinary Expenditure.	Gross Income.	Total Expenditure.	Extraordinary Expenditure.	Gross Income.
For all central purposes (police, etc.) .	17,814	895	5,223	13,991	895	4,057	7,351	396	1,041
„ road service	31,921	9,288	6,877	24,287	8,846	4,863	18,464	3,989	2,418
„ communal purposes and public institutions	33,778	10,283	59,950	32,708	7,529	35,654	873	302	244
„ public assistance (poor law, etc.) .	35,864	1,487	11,478	27,935	1,480	10,480	12,901	407	2,064
„ education	61,986	5,247	19,882	52,265	4,506	18,228	92,854	1,818	5,775
„ administrative purposes . . .	24,073	1,049	1,646	19,458	1,049	1,379	13,280	234	533
„ debt service	26,923	1,603	—	25,302	1,597	—	7,721	786	
From property	3,065	—	12,234	2,819	—	11,791	—	—	20,169
„ taxes	—	—	108,493	—	—	84,013	—	—	63,221
Various items of income and expenditure	11,049	1,623	7,747	10,801	1,422	6,814	10,496	1,677	5,726
Totals for communes . .	272,210	31,477	252,879	215,301	27,327	196,000	100,882	9,613	101,196

Table II. (b).

See Dubois, "Essai sur les Fin. Comm.," p. 160.

An analysis of the income from taxes shows that in :—

1883—4.	Towns.		Country Communes.		Similar Percentages for 1891–2.	
	Marks.	Per cent.	Marks.	Per cent.	Towns.	Country.
Local additions to land tax yielded	1,993,381	1·8	17,932,553	28·4	0·9	22
,, ,, ,, buildings tax yielded	7,217,597	6·6	5,562,854	8·8	5·7	8·2
,, ,, ,, income ,, ,,	57,178,112	52·7	22,895,924	36·4	39·2	46·4
,, ,, ,, licence ,, ,,	1,307,769	1·3	1,261,920	2	0·9	2·6
Special local taxes on income ,,	16,858,512	15·5	2,742,691	4·4	31·4	15·1
,, ,, ,, ,, rentals ,,	11,652,422	10·8	17,117	—	9·9	
,, ,, ,, ,, real property yielded	6,313,005	5·8	8,197,452	12·9	6·5	3
,, ,, ,, ,, personal property yielded.	459,805	0·5	3,160,391	5	0·3	0·1
,, ,, ,, ,, dogs yielded	1,182,984	1	372,669	0·5	1	0·1
,, ,, indirect taxes ,,	4,329,481	4	417,437	0·6	4·2	2·3
	108,493,068	100	63,221,917	100	100	100
Total ordinary receipts	248,955,425		98,297,819			
Percentage raised by taxation	43		64			
Per head	11 m. 40		4 m.			

TABLE III.—THE STATISTICAL CHIEF RESULTS OF THE CARRYING OUT OF Pr. K. A. G. OF 1893.

(Schonberg Handbuch III. (2), p. 90.)

	Towns over 10,000 Population.		Towns under 10,000 Population.		Towns Generally.	
	1894–5.	1895–6.	1894–5.	1895–6.	1894–5.	1895–6.
Number of towns.	202	202	967	967	1,169	1,169
Total finance needs (in marks) . .	178,892,593	205,245,297	27,208,676	31,599,290	206,101,269	236,844,587
Hereof covered by—						
Fees	18,454,177	21,585,287	1,407,768	1,595,296	19,861,945	23,180,588
Special contributions . . .	4,181,539	4,850,360	359,048	445,112	4,540,587	5,295,472
Indirect taxes	10,123,984	17,342,147	904,420	1,643,937	11,028,404	18,986,084
Building improvement tax . .	—	1,048,100	15,579	16,858	15,579	1,064,958
Additions to licence tax, etc. . .	125,116	918,605	60,335	192,510	185,451	1,111,115
Together	32,884,816	45,744,499	2,747,150	3,893,713	35,631,966	49,638,212
Percentage of finance needs .	18·4	22·3	10·1	12·4	17·3	21·0
By additions to State income tax, local income taxes, local house and other taxes (in sense of sect. 23 of K. A. G.)	113,488,099	90,028,476	19,111,147	14,687,135	142,559,246	104,715,611
Percentage of finance needs . .	69·0	43·9	70·3	46·5	69·2	44·2
By ground tax	2,649,093	4,530,633	1,522,121	2,639,418	4,171,214	7,170,214
„ „ and buildings tax . .	213,658	220,100	—	—	213,658	220,100
„ buildings tax	16,302,132	45,023,031	2,836,736	6,536,077	19,138,868	51,599,108
„ trade tax	3,276,057	19,592,673	976,380	3,803,757	4,252,437	23,396,430
By "real" taxes together . . .	12·6	33·8	19·6	41·1	13·5	34·8

TABLE III. (*continued*).—THE GENERAL EFFECT ON TOWN REVENUES MAY BE ILLUSTRATED BY THOSE OF THREE TYPICAL DISTRICTS.

	Number of Towns.	Total Tax Revenue.	Fees and Dues.	Indirect Taxes.	Per Cent.	Local Additions to State Income Tax.	Per Cent.
		Marks.	Marks.	Marks.		Marks.	
Kœnigsberg . .	48	5,714,690	679,917	437,130	19·1	2,733,306	47·9 [1]
		4,553,577	614,145	159,123	16·9	3,259,132	71·6
Hanover . .	10	4,497,870	60,531	643,570	15·6	2,108,066	47·0
		3,337,140	29,797	248,773	8·3	2,349,078	70·5
Dusseldorf . .	64	26,650,725	1,472,898	1,675,685	11·8	14,746,655	55·4
		23,386,623	862,214	800,003	7·1	18,784,169	80·3

	Number of Towns.	Land Tax.	Buildings Tax.	Trade Tax.	Spirit Licence Tax.	Total of Real Direct Taxes.	Percentage.
		Marks.	Marks.	Marks.	Marks.	Marks.	
Kœnigsberg . .	48	109,743	1,316,696	483,020	44,787	1,954,246	33·0
		42,885	359,382	109,116	10,156	521,539	11·5
Hanover .	10	—	1,221,493	435,919	28,762	1,686,174	37·4
		—	666,212	39,438	3,092	708,742	21·2
Dusseldorf . .	64	448,518	5,182,403	2,980,117	133,449	8,744,487	32·8
		232,122	1,571,557	1,079,463	57,095	2,940,237	12·6

[1] The first line gives figures for 1895, the second those for 1894.

TABLE IV. — SHOWING THE INCOME AND EXPENDITURE OF THE PROVINCES OF PRUSSIA IN VARIOUS YEARS.

Source of Income.	Amount in Marks (000's omitted).			
	1869.	1892-3.	1897-8.	1901-2.
Provincial taxes	6,241	13,167	21,805	27,188
Subventions from Central Exchequer	2,159	35,852	35,326	35,670
Income from property and various	13,717	7,339	9,577	4,524
Total ordinary income	22,118	56,359	66,709	67,383
From loans	779	4,669	7,813	9,600
Total income (ordinary and extraordinary)	22,898	61,028	74,233	76,983

Expenditure in Marks (000's omitted).

	1869.	1892-3.	1897-8.	1901-2.
Expenditure ordinary	17,712	57,131	65,788	66,178
„ extraordinary	2,229	3,992	8,851	10,833
Total	19,941	61,124	74,640	77,012
The items of expenditure were:—				
Administration	666	3,339	4,064	3,488
Roads and light railways	5,097	30,721	31,448	30,610
Agriculture and land improvements	112	959	1,335	2,253
Institutional poor relief (Law 1891)	12,076	5,479	8,428	8,688
Idiots and epileptics and foundlings, etc.		779	730	667
Insane, deafmutes, blind		7,547	9,893	8,862
Other branches of public assistance		1,111	1,570	842
Midwifery training, etc.				342
Encouragement of science and art		640	795	693
Debt service	1,452	6,553	7,520	5,585
Various	535			4,145

TABLE V.—INCOME AND EXPENDITURE OF THE COUNTRY CIRCLES IN PRUSSIA FOR CERTAIN AVAILABLE YEARS.

In Marks (000's omitted).

Source of Income.	Amounts.		
	All the Circles.		Circles of the Seven Eastern Provinces only.
	1869.	1877-8.	1899-1900.
Circle taxes	12,406	22,797	24,868
Subventions of State and of provinces	1,081	8,292	26,341
Fees and dues	2,294	510	
Other sources	12,445	12,428	
Total income	28,227	44,029	51,210
Of which loans were	9,154	5,370	

Expenditure in Marks (000's omitted).

Item of Expense.	Amount.	
	1869.	1877-8.
For central purposes (military, assessment, etc.)	355	214
Roads	16,189	21,965
Poor Law	981	1,713
Public institutions	66	79
Education	50	158
Sanitary and veterinary purposes	149	1,093
Improvements	270	136
Public conveniences, etc.	10	32
Administration	708	5,268
Debt service	5,836	7,748
Various	1,160	1,788
	25,780	40,199
Payments to provincial institutions	1,411	5,077
Total expenditure	27,191	45,277

TABLE VI.—PRIMARY EDUCATION (VOLKSSCHULE), SHOWING THE EXPENDITURE AND INCOME.

In Marks (000's omitted).

Year.	Expenses.			Income.										
	Personal.	Other.	Together.	From School Fees.	Per Cent.	From Property.	Per Cent.	From School Taxes.	Per Cent.	Grants from State.	Per Cent.	Other Sources.	Per Cent.	Together.
1886	75,094	41,371	116,465	10,926	9·4	7,940	6·8	82,590	70·9	14,022	12·1	987	0·8	116,465
1891	92,717	53,509	146,226	1,379	0·9	12,895	8·8	84,114	57·5	46,496	31·8	1,342	1·0	146,226
1896	133,913	52,004	185,917	201	0·12	7,691	7·5	117,340	64·8	52,939	27·4	381	0·18	178,552
1901	178,867	82,984	261,851	827	0·32	7,434	5·5	177,835	68·5	64,732	24·6	2,786	1·05	253,614
1906	218,807	98,330	317,137	960	0·30	8,181	5·4	225,079	70·5	71,268	22·34	3,030	1·46	308,518

TABLE VII.—SHOWING PROVINCIAL, CIRCLE, AND COMMUNAL DEBTS IN CERTAIN AVAILABLE YEARS.

Year.	Local Authorities.	Debts.	Interest and Sinking Fund.
		Marks.	Marks.
1849	Provinces, circles, and communes	78,000,000	6,000,000
1855	,, ,, ,, ,,	90,000,000	5,400,000
1857	,, ,, ,, ,,	96,000,000	5,760,000
1867	,, ,, ,, ,,	144,000,000	8,640,000
1876	Provinces only	20,000,000	—
1899	,, ,, ...	106,000,000	—
1876	Circles only	84,000,000	—
1899	,, ,, ...	203,000,000	—
1883	Town and country communes .	—	34,645,832
1869	Country circles only . . .	—	5,836,488
1877	,, ,, ,, . . .	—	7,748,221
1869	Provinces only	—	1,452,792
1892	,, ,, ...	—	6,553,988
1897	,, ,, ...	—	7,520,983
1902	,, ,, ...	—	9,730,171
1903	Country circles only . . .	357,753,422	25,373,758

TABLE VIII.—OLD AGE AND INFIRMITY INSURANCE. REVENUE AND AMOUNT OF PENSIONS, 1891—1905.

(See Report of Gainsborough Commission, p. 273.)

Year.	Revenue.				Pensions.					
	Contributions.		Subvention of Empire.	Interest, etc.	Infirmity Pensions.	Sick Pensions.	Old Age Pensions.	Contributions Returned.	Medical Assistance.	Home Relief for Infirm Workmen.
	Employers.	Employed.								
	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.
1891	46,986,065	46,986,065	6,049,848	795,934	129	—	15,299,004	—	373	—
	(£2,302,258)	(£2,302,258)	(£296,561)	(£39,016)	(£6 6s.)		(£750,000)		(£18)	
1892	47,821,401	47,821,401	9,041,184	3,909,773	1,338,962	—	21,025,008	—	31,884	—
	(£2,344,186)	(£2,344,186)	(£443,195)	(£191,665)	(£65,606)		(£1,030,637)		(£1,560)	
1896	54,567,798	54,567,798	19,232,239	15,857,359	20,844,729	—	27,326,580	1,975,248	1,175,504	—
	(£2,674,892)	(£2,674,892)	(£942,756)	(£777,321)	(£1,021,800)		(£1,339,538)	(£96,826)	(£57,622)	
1900	64,385,208	64,385,208	30,761,768	27,538,246	53,573,150	651,457	26,224,203	6,616,721	5,578,254	15,060
	(£3,156,137)	(£3,156,137)	(£1,507,930)	(£1,055,796)	(£2,626,134)	(£31,931)	(£1,285,500)	(£324,350)	(£273,443)	(£738)
1901	67,406,753	67,406,753	33,870,735	30,840,885	65,021,700	1,299,591	24,655,737	6,925,167	7,130,643	45,080
	(£3,304,252)	(£3,304,252)	(£1,660,330)	(£1,511,808)	(£3,187,338)	(£63,313)	(£1,208,614)	(£339,470)	(£349,541)	(£2,210)
1905	80,645,920	80,645,920	47,350,837	41,669,220	114,287,247	3,140,352	19,476,432	8,171,548	12,158,775	349,709
	(£3,953,231)	(£3,953,231)	(£2,321,119)	(£2,042,609)	(£5,602,316)	(£153,939)	(£954,727)	(£400,566)	(£596,018)	(£17,143)

TABLE VIII. (*continued*).—NUMBER OF PENSIONS GRANTED.

Year.	Number still being Paid at Beginning of Year.			Number Granted in Respective Years.		
	Infirmity Pensions.	Sick Pensions.	Old Age Pensions.	Infirmity Pensions.	Sick Pensions.	Old Age Pensions.
1891	—	—	—	31	—	132,926
1892	—	—	—	17,784	—	42,128
1893	—	—	—	35,177	—	31,083
1896	—	—	—	64,450	—	25,953
1897	161,670	—	203,955	75,746	—	22,320
1898	210,859	—	203,644	84,781	—	19,525
1899	264,899	—	201,329	96,665	—	17,320
1900	324,319	—	195,133	125,739	6,677	19,852
1901	405,337	5,118	188,472	130,480	7,632	14,849
1902	486,945	8,700	179,450	142,789	8,733	12,855
1903	574,842	12,146	168,550	152,862	9,216	12,430
1906	780,761	20,141	134,100	110,969	12,422	10,666
1907	814,575	22,099	125,603	—	—	—
	—	—	—	1,403,801	67,000	448,580

STATISTICAL ADDENDUM.

TABLE SHOWING LOANS BY SPECIAL LAWS IN FRANCE (1851—1890).

Period of Repayment.	1851—1862.		1871—1877.		1878—1890.	
	No. of Loans.	Amount in Millions of Francs.	No. of Loans.	Amount in Millions of Francs.	No. of Loans.	Amount in Millions of Francs.
Up to 5 years .	63	8	23	4	4	2
6 to 12 years .	182	66	82	41	33	28
13 to 20 years .	62	56	59	60	56	62
21 to 30 years .	23	21	57	62	251	198
31 to 50 years .	21	101	7	32	165	467

Number indicates position of Department in Alphabetical List.
= indicates receiving over 200,000 francs.
— " " " 100,000 "
Total Amount of Special Fund in 1902 was 3,695,000 francs.

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